VIABLE DEFICIT REDUCTION PLAN
UPDATE #7
AS OF JUNE 30, 2021

DISTRESSED UNIT APPEALS BOARD (DUAB)

Final Report

August 31, 2021

Gary Schools Recovery, LLC

VDRPU7 REPORT STRUCTURE

The Viable Deficit Reduction Plan Update #7 (VDRPU7) is presented in the following report. The original Viable Deficit Reduction Plan (VDRP), Viable Deficit Reduction Plan Update #1 (VDRPU1), Viable Deficit Reduction Plan Update #2 (VDRPU2), Viable Deficit Reduction Plan Update #3 (VDRPU3), Viable Deficit Reduction Plan Update #4 (VDRPU4), Viable Deficit Reduction Plan Update #5 (VDRPU5), and Viable Deficit Reduction Update #6 (VDRPU6) have been removed from this update to allow for ease of reading. VDRP Complete Report contains a complete history of all previous updates and will be made available to the DUAB Executive Director.

Section 1.0 – Executive Summary

A credible plan for GCSC to eliminate the annual fiscal deficit and pay down the accumulated long-term debt. Also includes a table proving an overview of the net fiscal benefit per the original VDRP and subsequent updates.

Section 2.0 – Present Initiatives

Each present initiative is presented individually with a brief narrative describing the initiative and a chart detailing the net fiscal benefit by year. Update #7 is shown after the initiative description.

The net fiscal benefit is the sum of an initiative's revenue generation, cost reduction and/or required investment.

Section 3.0 – Future Initiatives

Each future initiative is presented individually with a brief narrative describing the initiative.

Section 4.0 – Reconfigure GCSC

A financial model is presented for the following three distinct scenarios.

1. Reconfigure GCSC as a K-8 only corporation.
2. Reconfigure GCSC as a K-6 only corporation.
3. Reconfigure GCSC with a smaller geographic boundary.

Section 5.0 – Potential Deficit Reduction by Initiative and Year

The net fiscal benefit of all present and future initiatives is presented by initiative and by year.

Table of Contents

1.0 EXECUTIVE SUMMARY UPDATE #7 AS OF JUNE 30, 2021

SUMMARY STATEMENT

DEFICIT

The annual operating deficit is calculated once per year in the calendar year-end Viable Deficit Reduction Plan (VDRP) update. Calculating the deficit once per year based on calendar year-end provides accurate year-over-year comparisons by eliminating short-term or mid-year variances and timing fluctuations. Calculating the deficit once per year based on calendar year-end is also consistent with the State's practice for calculating Fiscal Indicators.

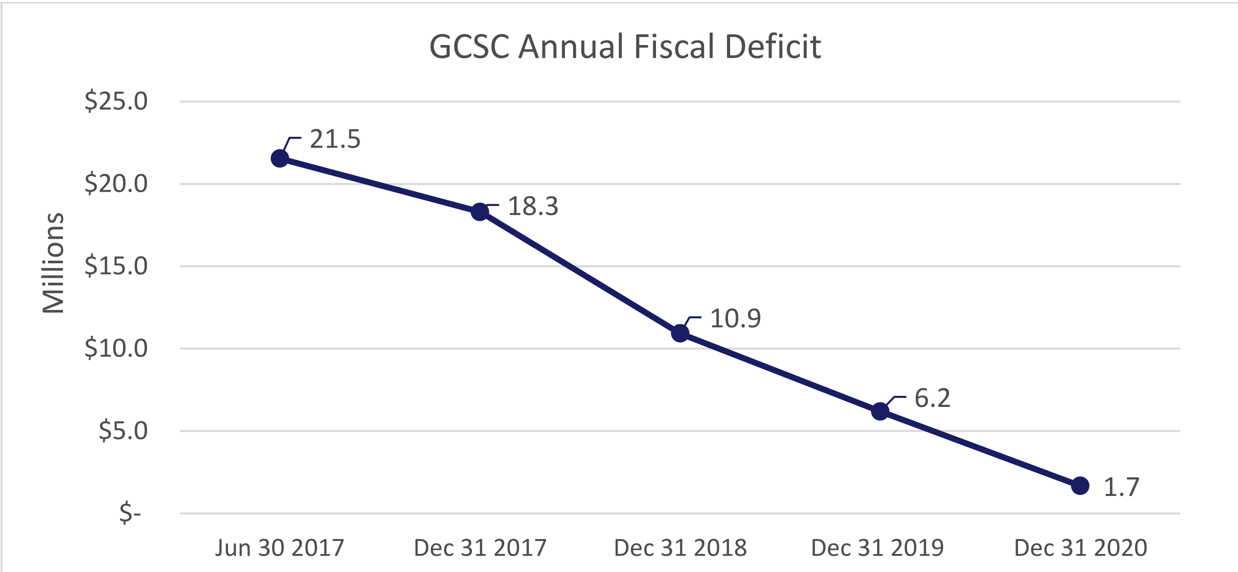
As of December 31, 2020, the Gary Community Schools Corporation (GCSC) reports an annual operating fiscal deficit of approximately $1,700,000[1]. The annual operating deficit of $1,7000,000 is based on all non 1065 (School Improvement Fund) funds and does not take into consideration fund balances. The table below presents the annual operating surplus (deficit) including and excluding fund balance.

Funds	Surplus (Deficit as) of Dec. 31, 2020
Deficit for all non 1065 funds (not including fund balance)	**($1,700,000)**
Deficit for all funds[2] (including fund balance)	**($5,000,000)**

As illustrated in the chart below, the annual deficit decreased from approximately $22,000,000 in August 2017 when Gary Schools Recovery LLC (GSR) began serving as Emergency Manager. The annual deficit was approximately $18,000,000 in January 2018 when the first Viable Deficit Reduction Plan (VDRP) was presented. The annual deficit was approximately $6,000,000 as of December 31, 2019.

[1] The deficit calculation is based on all non 1065 (School Improvement Fund) funds. The nature of the School Improvement Fund can lead to overstatement of revenues in the current year and overstatement of expenditures in future period because of the timing associated with collecting the revenues and the time it takes capital projects to be completed.
Additionally, it may be necessary to only include the major funds (e.g., Education and Operations) in future deficit calculations as nonmajor funds may be impacted by unforeseen events. During 2020, the revenues and expenditures of the nonmajor funds were practically the same but future unforeseen events may cause this balance to tilt one way or the other.

[2] Deficit excludes the fund balance of the School Improvement Fund, Textbook Rental Fund, Self-Insurance Fund, and U.S. Steel Fund.

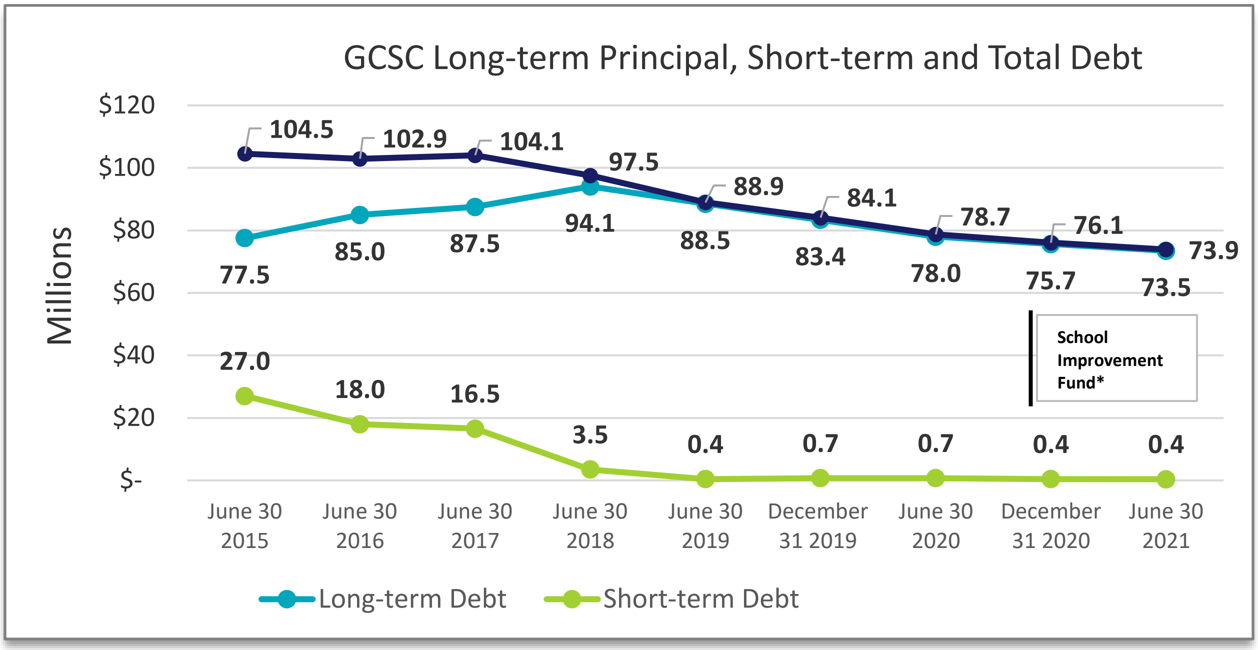


DEBT

As of June 30, 2021, GCSC has accumulated long-term debt principal of approximately $73,000,000[3] and short-term debt of approximately $500,000 for a total debt of approximately $73,500,000. Unlike calculating the operating deficit, the outstanding long-term debt principal and short-term debt are updated semi-annually. Debt payments are based on monthly or semi-annual payment schedules and do not have timing fluctuations or other factors that could impact semi-annual updates.

As illustrated in the chart below, the annual debt has decreased from approximately $104,000,000 in June 2017. Of the $104,000,000 of total debt in June 2017, approximately $87,000,000 was long-term debt and approximately $16,000,000 was short-term debt.

[3] During the first six months of 2021, the principal balance of the long-term debt decreased by approximately $2M. Note that this is taking into consideration that the Common School Loan repayments of the noninterest bearing Common School Loans were suspended as of July 1, 2020. As such, the amount by which long-term debt decreased in 2021 was significantly less than prior years. The suspension of the Common School Loan repayments caused the long-term debt balance as of June 30, 2021, to be approximately $5.4M ($2.7M from July through December of 2020 and $2.7M from January through June of 2021) higher than if the repayments would have been made as usual. In other words, the long-term debt without the suspension of the Common School Loans repayments would have been approximately $67.6M as of June 30, 2021.



* The School Improvement Fund (SIF) was established on July 1, 2020. The SIF is funded by the revenue generated from the suspension of the Common School Loans repayments. Therefore, the rate at which long-term debt was reducing decreased since the appro

ximately $5.4M that would normally go towards the payment of the principal of the non-interest-bearing Common School Loans was redirected towards the School Improvement Fund to help the GCSC fund capital projects.

UPDATE #7

This report presents the seventh Viable Deficit Reduction Plan Update (VDRPU7). The original Viable Deficit Reduction Plan (VDRP), the first VDRP update (VDRPU1), second VDRP update (VDRPU2), the third VDRP update (VDRPU3), the fourth VDRP update (VDRPU4), the fifth VDRP update (VDRPU5), and the sixth VDRP update (VDRPU6) are all contained in VDRPU7, as that report details each update chronologically within it. VDRP Complete Report contains a complete history of all previous updates and will be made available to the DUAB Executive Director.

The original VDRP and the updated VDRP documents present a credible plan for GCSC to eliminate the annual fiscal deficit and pay down the accumulated long-term debt through 31 deficit reduction initiatives.

INITIATIVES STARTED AND START DATES

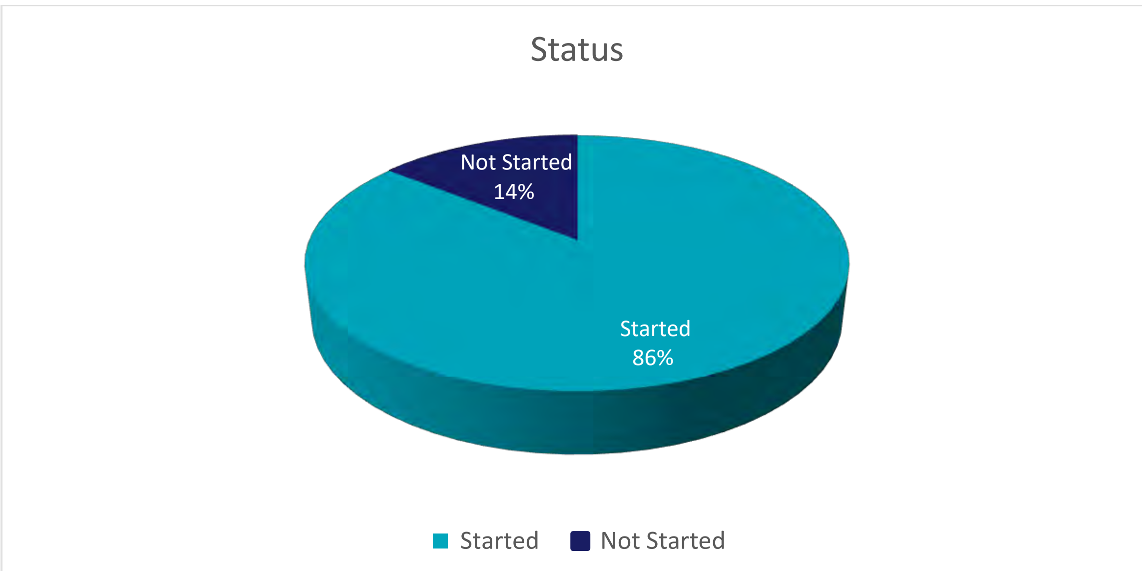
The original VDRP identified and documented 28 present and 3 future initiatives to eliminate the annual deficit and begin to pay down the accumulated long-term debt.

The following chart displays as of June 30, 2021 the status of the 28 present initiatives in following three classifications.

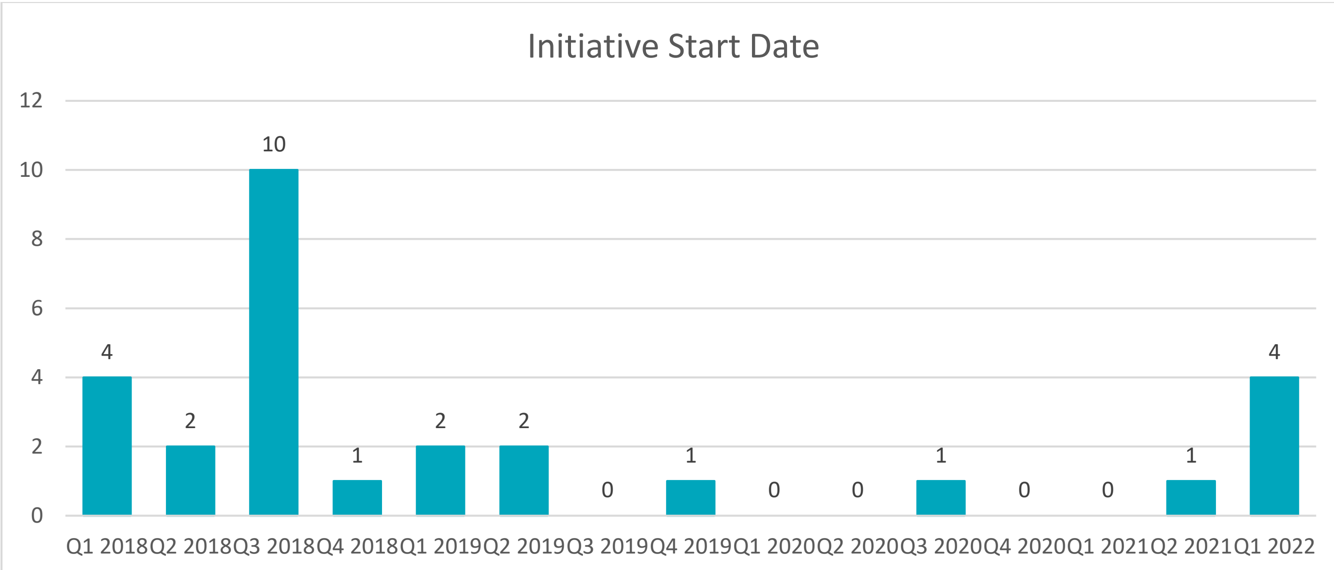
1. Not started

2. Started

3. Completed



The following chart displays the start date of the 28 present initiatives. Each bar represents the number of initiatives starting by quarter and year.



VARIANCE ANALYSIS

Although most of the 31 identified initiatives have started, not every initiative that has started has begun to yield financial impact. For most initiatives, financial impact will follow significant precursor and foundational activities. These activities will yield financial impacts in future months.

The following table highlights the variance between the projected financial impact and the actual financial impact both by initiative and in total as of June 30, 2021.

INITIATIVE	VDRP SUBMITTED 01/31/2018 PROJECTED NET FINANCIAL BENEFIT AS OF JUNE 30, 2021	VDRP UPDATE #7 08/31/21 ACTUAL NET FINANCIAL BENEFIT AS OF JUNE 30, 2021	VARIANCE	STATUS	ESTIMATED DEFICIT REDUCTION START DATE
2.A.	$14,422,638.40	$5,457,700.10	($8,964,938.30)	Started	Q3 2020
2.B.	$1,793,018.00	$1,261,406.09	($531,611.91)	Started	Q3 2018
2.C.	$227,449.00	$166,673.60	($60,775.40)	Started	Q1 2019
2.D.	$12,500,000.00	$0.00	($12,500,000.00)	Not started	Q1 2022
2.E.	$10,000,000.00	$4,500,000.00	($5,500,000.00)	Started	Q2 2021
2.F.	$4,871,613.00	($2,102,500.00)	($6,974,113.00)	Started	Q3 2018
2.G.	$876,963.45	$242,080.00	($634,883.45)	Started	Q3 2018
2.H.	$552,433.75	$0.00	($552,433.75)	Not started	Q1 2022
2.I.	$1,686,420.00	$37,800.00	($1,648,620.00)	Started	Q3 2018
2.J.	$334,133.83	$38,212.10	($295,921.73)	Started	Q4 2018
2.K.	$126,000.00	$58,876.00	($67,124.00)	Started	Q1 2018
2.L.	$140,000.00	$140,000.00	$0.00	Started	Q2 2018
2.M.	$1,252,531.16	$2,079,135.78	$826,604.62	Started	Q3 2018
2.N.	$656,250.00	$275,537.58	($380,712.42)	Started	Q1 2018

INITIATIVE	VDRP SUBMITTED 01/31/2018 PROJECTED NET FINANCIAL BENEFIT AS OF JUNE 30, 2021	VDRP UPDATE #7 08/31/21 ACTUAL NET FINANCIAL BENEFIT AS OF JUNE 30, 2021	VARIANCE	STATUS	ESTIMATED DEFICIT REDUCTION START DATE
2.O.	$3,527,131.88	$324,618.98	($3,202,512.90)	Started	Q2 2019
2.P.	$1,100,000.00	$2,150,000.00	$1,050,000.00	Started	Q1 2018
2.Q.	$1,061,542.25	$0.00	($1,061,542.25)	Not started	Q1 2022
2.R.	$907,887.45	$2,510,130.00	$1,602,242.55	Started	Q3 2018
2.S.	$1,575,000.00	$4,149,367.39	$2,574,367.39	Started	Q3 2018
2.T.	$11,841,027.22	$19,221,187.21	$7,380,159.99	Started	Q3 2018
2.U.	$3,143,332.03	$1,800,389.50	($1,342,942.53)	Started	Q3 2018
2.V.	$644,650.44	$298,100.00	($346,550.44)	Started	Q2 2019
2.W.	$750,000.00	$0.00	($750,000.00)	Started	Q4 2019
2.X.	($423,500.00)	($164,247.41)	$259,252.59	Started	Q2 2018
2.Y.	($1,609,451.50)	($653,393.38)	$956,058.12	Started	Q3 2018
2.Z.	$598,715.50	$892,113.60	$293,398.10	Started	Q1 2019
2.AA.	$125,000.00	$0.00	($125,000.00)	Not started	Q1 2022
2.AB.	$ -	$ -	$ -	Started	Q1 2018
3.A.	$ -	$ -	$ -	Not started	TBD
3.B.	$ -	$ -	$ -	Not started	TBD
3.C.	$ -	$ -	$ -	Not started	TBD
Sum of All	**$72,680,785.84**	**$42,683,187.14**	**($29,997,598.70)**		

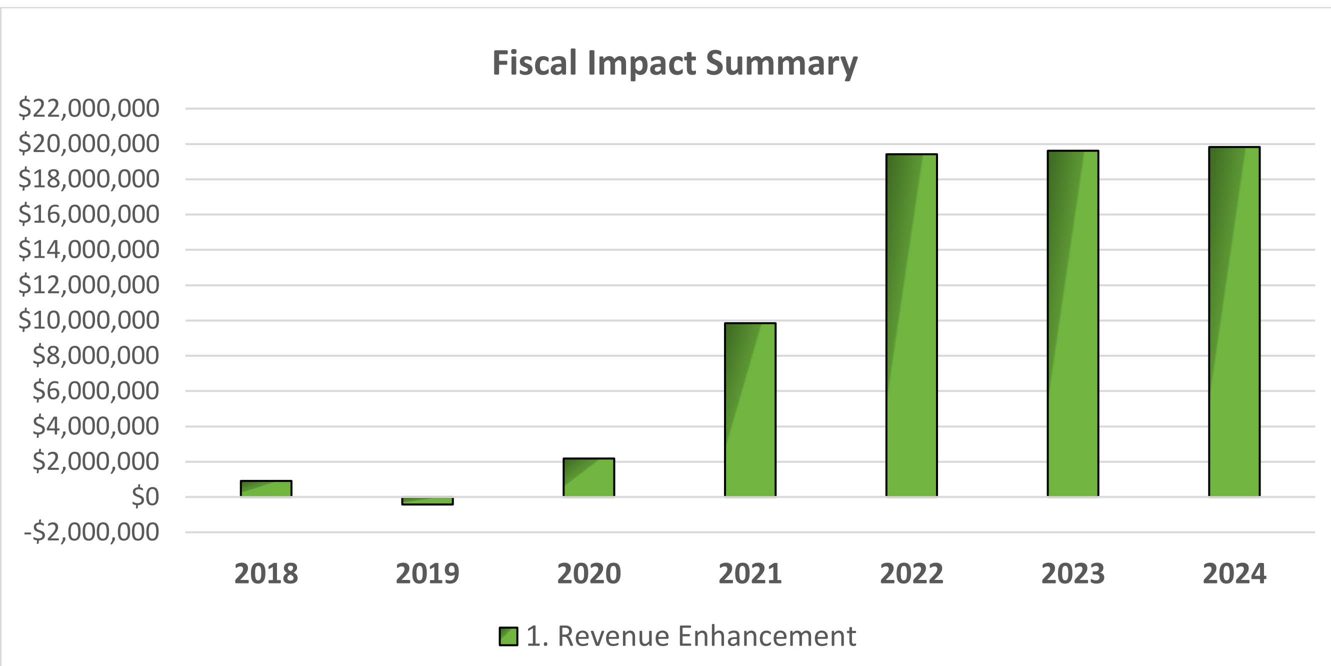
FISCAL IMPACT SUMMARY

The VDRP, VDRPU1, VDRPU2, VDRPU3, VDRPU4, VDRPU5, VDRPU6, and VDRPU7 details 28 present and 3 future initiatives for GCSC to eliminate the annual deficit and pay down the accumulated long-term debt. The present initiatives detailed in the VDRP, VDRPU1, VDRPU2, VDRPU3, VDRPU4, VDRPU5, VDRPU6, and VDRPU7 may generate revenue, reduce costs, require an investment, or a combination of these actions. The net benefit for each present initiative is the sum of all revenue generated, costs reduced, or investment required for each initiative.

The charts on the following pages detail the fiscal impact of all VDRPU7 initiatives.

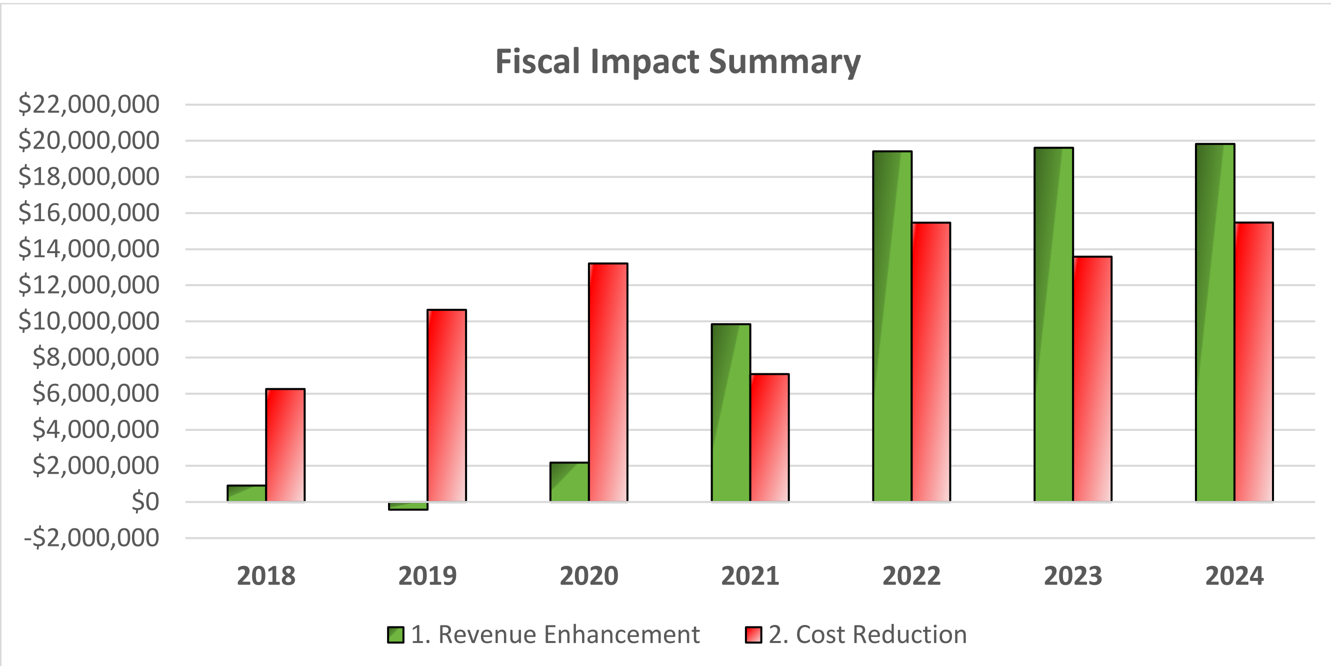
REVENUE ENHANCEMENT

The following chart details the sum of revenue generated for all present initiatives by year. Revenue generated is represented as the green bars.



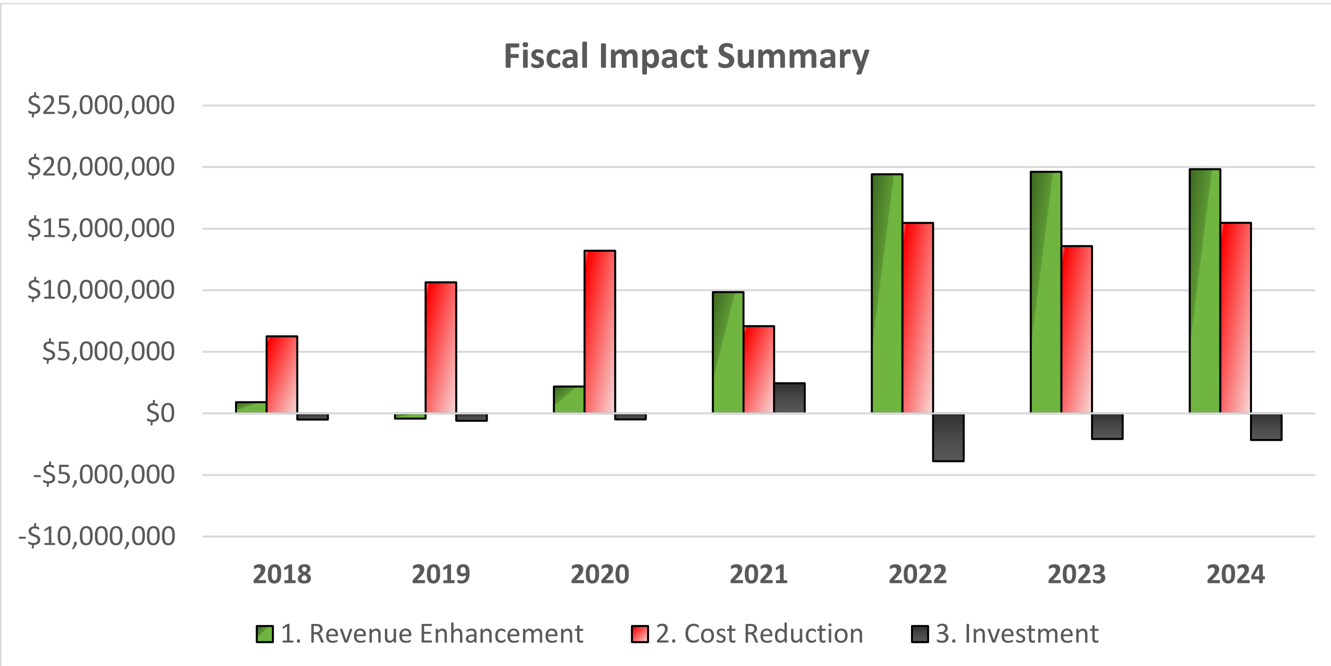
REVENUE ENHANCEMENT AND COST REDUCTION

The following chart details the sum of revenue generated and cost reductions for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars.



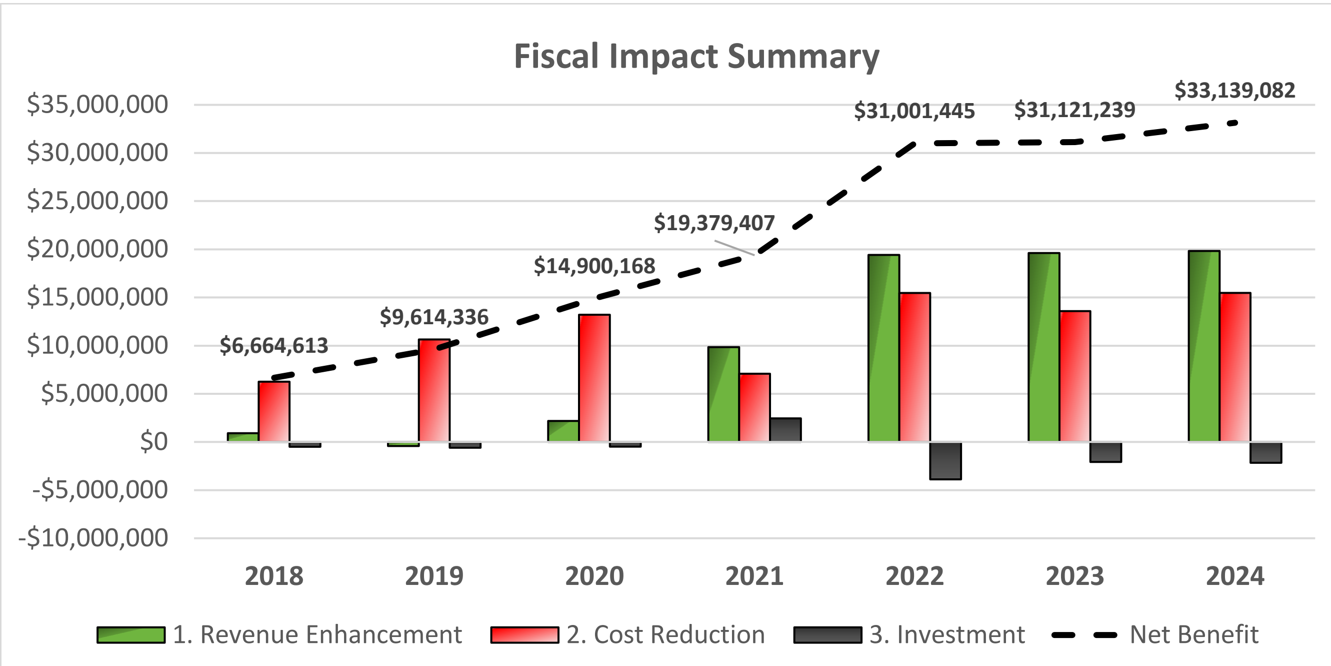
REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

The following chart details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is presented as the green bars. Cost reduction is represented as the red bars. Required investments is represented as the black bars.



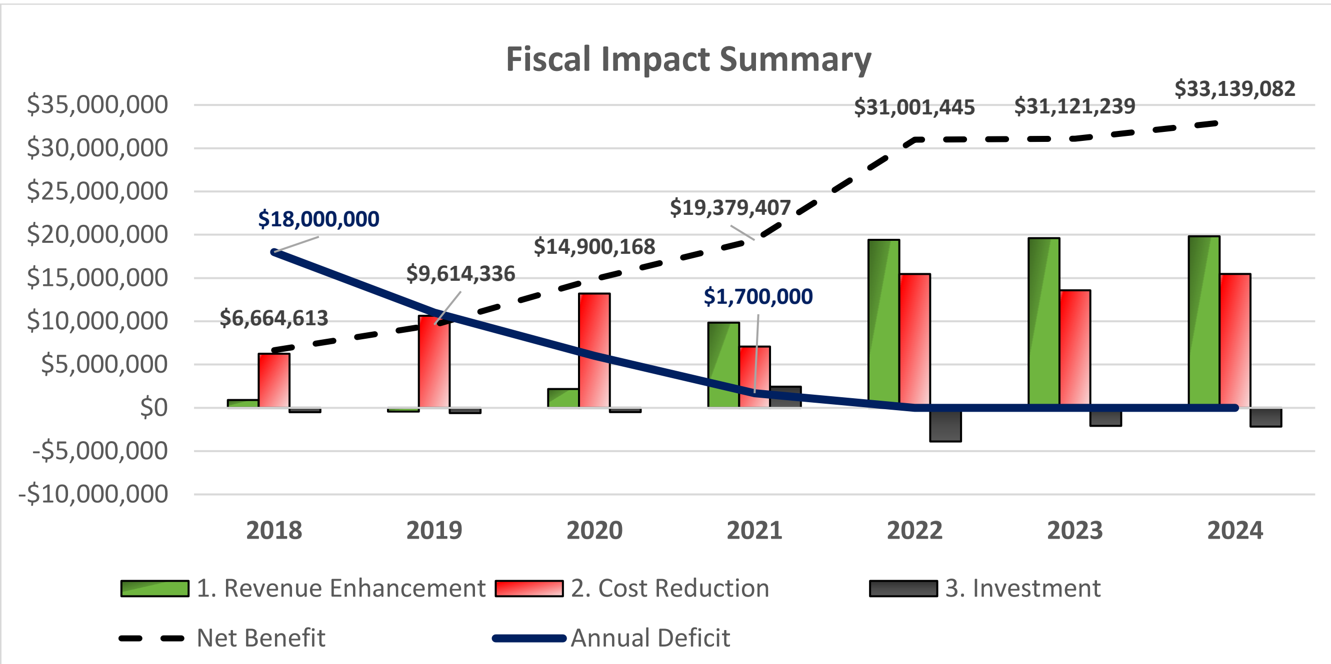
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

The following chart adds the net benefit calculation and details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



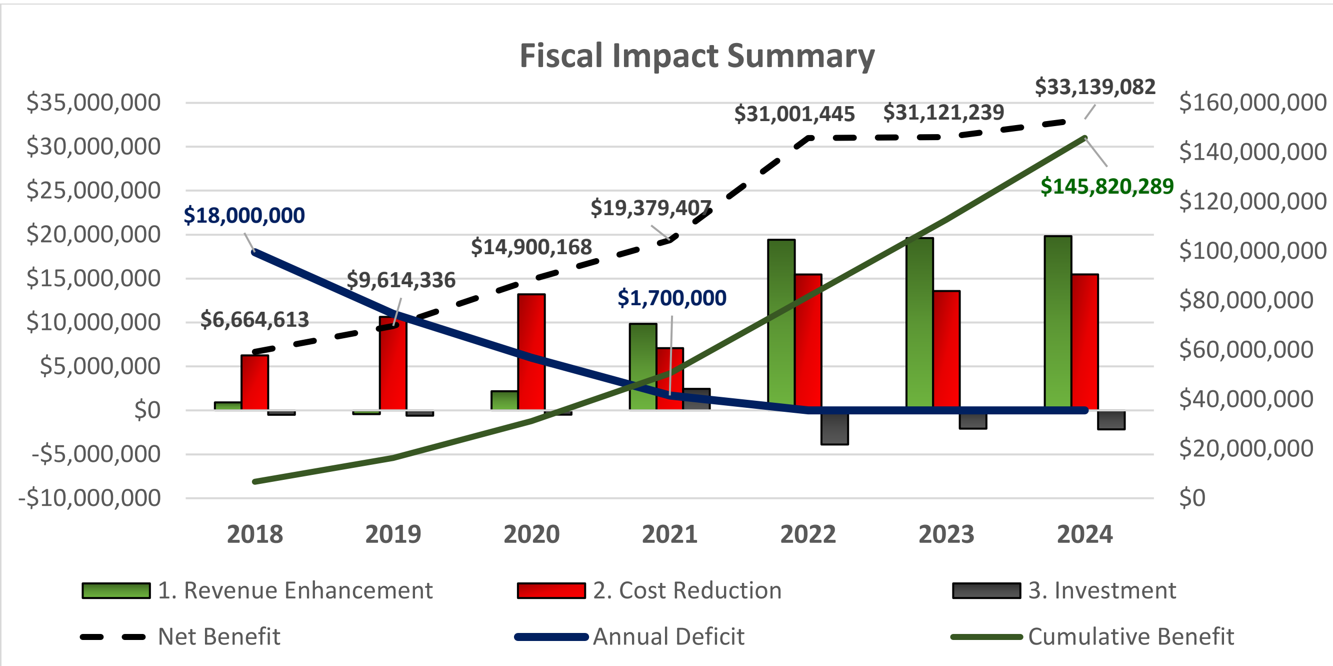
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT

The following chart adds a horizontal blue bar representing the $1,700,000 annual deficit of GCSC. As previously presented, the net benefit calculation details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



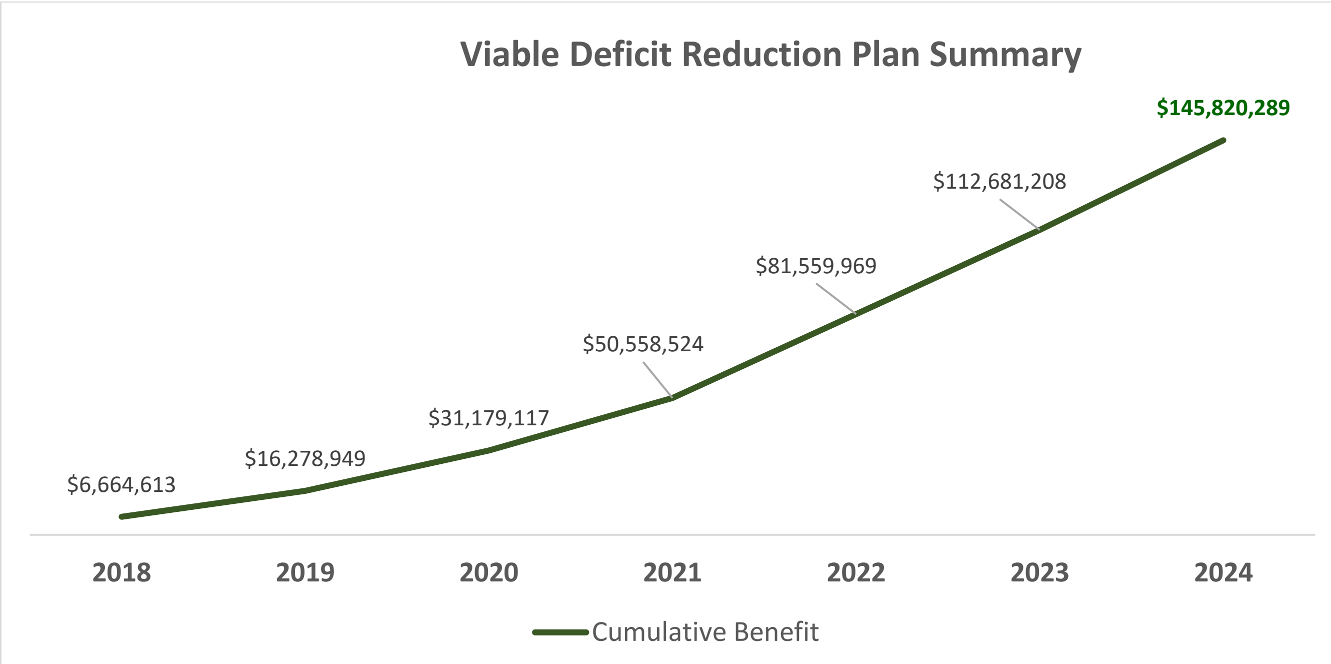
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT WITH CUMULATIVE BENEFIT

The following chart adds a diagonal green line representing the cumulative benefit of all present initiatives and a right axis corresponding to the cumulative benefit. As previously presented, the net benefit calculation details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



NET FISCAL IMPACT

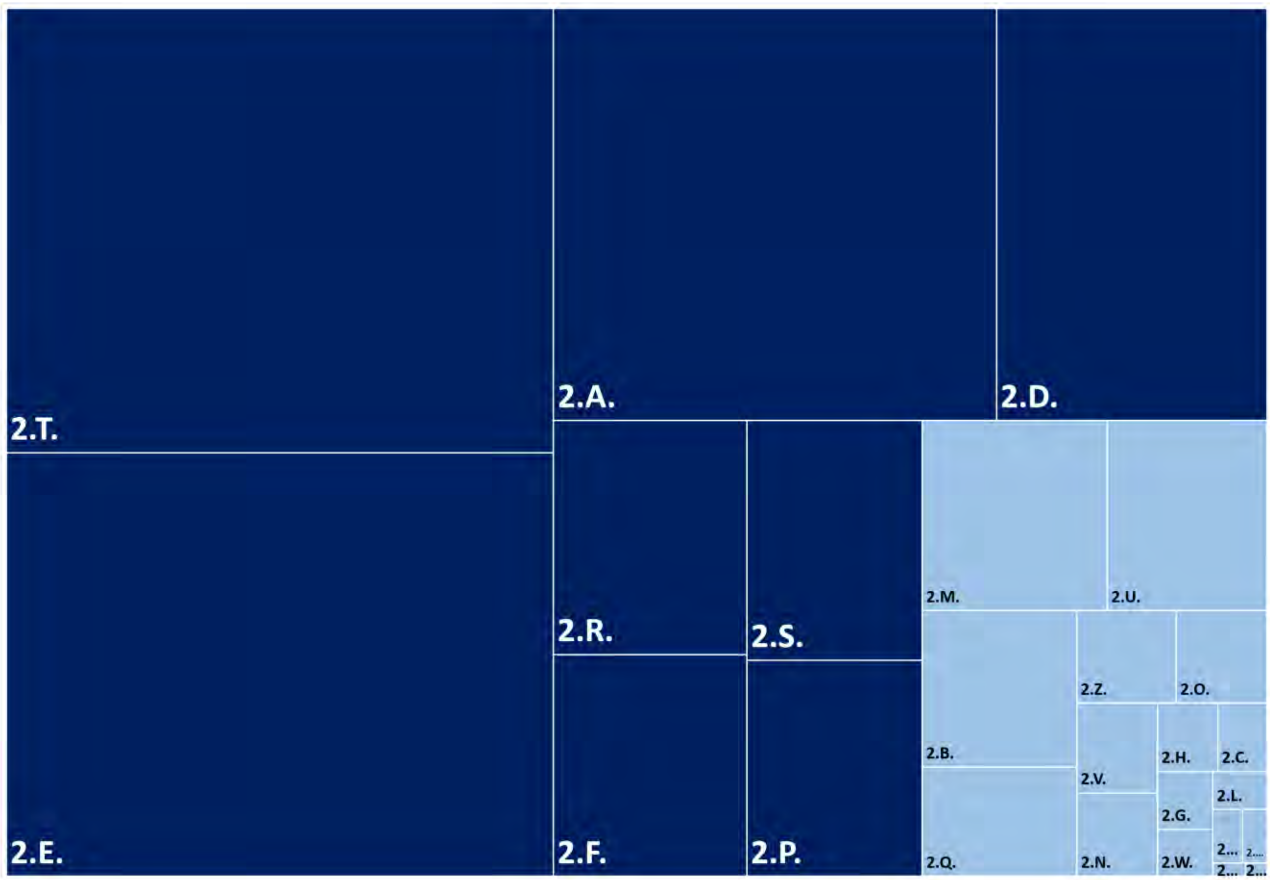
The cumulative net benefit of the VDRPU7 is approximately $145,820,289 over a seven-year time frame represented in the chart below.



The VDRPU7 cumulative net benefit over a seven-year time frame is approximately $6,037,739 or 4.0 percent less than the cumulative net benefit over a seven-year time frame in the original VDRP. While there are variances in various initiatives between the original VDRP and VDRPU7, the overall estimated financial impact in VDRPU7 is reasonably close to the estimated financial impact in the original VDRP.

INITIATIVES 7-YEAR NET BENEFIT

The following chart presents each present initiative in scale to the order of net benefit generated. The larger the box, the larger the net benefit. The number in the box corresponds to the initiative. Below this chart is a table of initiatives by number.



Approximately 87 percent of net benefits are derived from 8 initiatives, or 26 percent of the total initiatives, and are represented in the dark blue boxes.

1. 2.T. Reduction in Force and Attrition
2. 2.E. Local Referendum
3. 2.A. Suspend Common School Loan Payments
4. 2.D. Pay for Success
5. 2.R. Compete Custodian Services
6. 2.F. Increase Enrollment
7. 2.S. Complete Transportation Contract
8. 2.P. Reduce Cost of Employee Health Insurance

All other initiatives derive the remaining approximate 13 percent of net benefits represented in the light blue boxes.

Please refer to the following table to crosswalk the initiative number to the initiative, presented in order from most to least net benefit.

LEGEND			
2.T.	Reduction in Force and Attrition	**2.O.**	Debt Restructuring
2.E.	Local Referendum	**2.V.**	Relocate Administration Office
2.A.	Suspend Common School Loan Payments	**2.N.**	Labor Cost Controls
2.D.	Pay For Success	**2.H.**	System of Great Schools
2.R.	Compete Custodian Services	**2.C.**	Maximize Medicaid Funds
2.F.	Increase Enrollment	**2.G.**	Co-location and Co-branding GACC and Ivy Tech
2.S.	Compete Transportation Contract	**2.W.**	Negotiate Reduction of Legacy Accounts Payable
2.P.	Reduce Cost of Employee Health Insurance	**2.L.**	Joint Purchasing Cooperative
2.M.	Food Service Fund Accounting	**2.J.**	Community Crowdfunding
2.U.	School Closure / Consolidation	**2.AA.**	Corporate Partners
2.B.	Maximize Federal Funds	**2.K.**	Rent Building Space
2.Q.	Building Energy Efficiency and Utility Rate Audits	**2.I.**	Acquire / Implement On-line Program
2.Z.	Sell Assets – Art, Buildings and Land		

TABLE FOR INITIATIVES

The following table displays the cumulative fiscal impact by initiative and update.

SEC.	INITIATIVE	CUMULATIVE FISCAL IMPACT PER UPDATE							
		Original VDRP	Update #1	Update #2	Update #3	Update #4	Update #5	Update #6	Update #7
2.A.	Suspend Common School Loan Payments	$16,483,015	$12,362,261	$14,766,735	$1,077,595	$8,100,000	$25,380,000	$24,559,650	$24,559,650
2.B.	Maximize Federal Funds	$3,786,640	$3,786,640	$3,507,450	$3,507,450	$3,255,838	$3,255,838	$3,255,838	$3,255,838
2.C.	Maximize Medicaid Funds	$512,206	$512,206	$474,707	$449,054	$452,344	$491,561	$422,214	$451,431
2.D.	Pay For Success	$15,000,000	$15,000,000	$15,000,000	$15,000,000	$15,000,000	$15,000,000	$15,000,000	$15,000,000
2.E.	Local Referendum	$34,500,000	$31,500,000	$31,500,000	$29,250,000	$26,000,000	$31,150,000	$31,150,000	$31,200,000
2.F.	Increase Enrollment	$10,829,833	$10,829,833	$10,146,400	$10,466,500	$8,867,222	$8,066,916	$5,768,939	$5,768,939
2.G.	Co-location and Co-branding GACC and Ivy Tech	$2,102,673	$2,102,673	$1,752,120	$1,752,120	$1,759,880	$389,280	$434,080	$434,080
2.H.	System of Great Schools	$1,104,869	$947,030	$947,030	$868,109	$789,190	$631,352	$631,352	$631,352
2.I.	Acquire / Implement On-line Program	$5,018,146	$3,360,000	$3,252,600	$585,000	$487,800	$37,800	$37,800	$37,800
2.J.	Community Crowdfunding	$668,267	$620,534	$309,055	$297,892	$288,147	$274,674	$238,212	$213,212
2.K.	Rent Building Space	$252,000	$252,000	$252,000	$153,936	$157,156	$58,876	$58,876	$58,876

SEC.	INITIATIVE	CUMULATIVE FISCAL IMPACT PER UPDATE							
		Original VDRP	Update #1	Update #2	Update #3	Update #4	Update #5	Update #6	Update #7
2.L.	Joint Purchasing Cooperative	$280,000	$280,000	$280,000	$280,000	$280,000	$280,000	$280,000	$280,000
2.M.	Food Service Fund Accounting	$2,505,063	$2,505,063	$2,795,569	$2,829,601	$2,795,569	$2,693,244	$3,056,601	$4,737,878
2.N.	Labor Cost Controls	$1,312,500	$1,312,500	$1,263,283	$1,263,283	$1,247,755	$1,202,403	$855,800	$906,945
2.O.	Debt Restructuring	$7,054,264	$7,054,264	$6,046,512	$942,784	$690,284	$1,130,601	$1,130,601	$1,130,601
2.P.	Reduce Cost of Employee Health Insurance	$1,100,000	$1,100,000	$1,100,000	$3,968,153	$5,100,000	$5,100,000	$5,100,000	$5,100,000
2.Q.	Building Energy Efficiency and Utility Rate Audits	$9,528,551	$9,528,551	$7,109,405	$4,690,260	$4,690,260	$2,271,115	$2,271,115	$2,271,115
2.R.	Compete Custodian Services	$2,178,930	$4,960,417	$6,090,617	$6,090,517	$6,090,617	$6,090,617	$6,090,617	$6,090,617
2.S.	Compete Transportation Contract	$3,780,000	$5,775,000	$5,854,603	$3,545,767	$4,177,415	$3,908,829	$5,575,540	$5,652,546
2.T.	Reduction in Force and Attrition	$26,050,258	$26,050,258	$28,704,711	$30,416,326	$31,356,654	$33,138,768	$33,268,223	$32,729,287
2.U.	School Closure / Consolidation	$6,286,663	$5,762,775	$4,084,010	$4,084,010	$5,584,010	$4,084,010	$4,084,010	$4,084,010
2.V.	Relocate Administration Office	$1,373,827	$1,289,302	$1,114,301	$1,074,300	$1,074,300	$974,300	$974,300	$974,300
2.W.	Negotiate Reduction of Legacy Accounts Payable	$2,500,000	$2,500,000	$2,000,000	$2,000,000	$1,000,000	$350,000	$350,000	$350,000
2.X.	Marketing and Community Communication	($847,000)	($816,000)	($622,500)	($574,500)	($622,500)	($468,088)	($538,532)	($499,707)
2.Y.	Invest in Hardware, Software and Shared Services	($4,197,539)	($1,553,208)	($1,143,744)	($1,143,744)	($819,352)	($944,008)	($977,145)	($936,676)

SEC.	INITIATIVE	CUMULATIVE FISCAL IMPACT PER UPDATE							
		Original VDRP	Update #1	Update #2	Update #3	Update #4	Update #5	Update #6	Update #7
2.Z.	Sell Assets – Art, Buildings and Land	$2,394,863	$2,394,863	$2,300,000	$1,995,000	$1,745,000	$1,145,000	$1,132,114	$1,242,114
2.AA.	Corporate Partners	$300,000	$300,000	$300,000	$250,000	$250,000	$225,000	$200,000	$175,000
2.AB.	Internal Budget Control	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.A.	Foundation and Philanthropic Involvement	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.B.	Outside Capital Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.C.	Request Grants or Interest-Free Loans If Needed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Grand Total	**$151,858,029**	**$149,716,962**	**$149,184,864**	**$125,119,413**	**$129,797,589**	**$145,918,088**	**$144,410,204**	**$145,899,208**
	% of original		**99%**	**98%**	**82%**	**85%**	**96%**	**95%**	**96%**

SEA 567-2017 LEGISLATION

In 2017, the Indiana State Legislature passed Indiana Senate Enrolled Act 567 (SEA 567), which designated GCSC as a distressed political subdivision. This legislation also designated an Emergency Manager to assume operational control of GCSC. Effective August 1, 2017, GSR was named GCSC Emergency Manager and began operating GCSC. Eric Parish has served as the Fiscal Officer for GSR since August 2017.

GSR is required to submit this VDRP to the Distressed Units Appeals Board (DUAB) per the following section of SEA 567.

> *The Emergency Manager will deliver a viable structural deficit (annual expense versus annual revenues) reduction plan within six (6) months of taking over as Emergency Manager, i.e., not later than January 31, 2018, for DUAB review and approval. The structural deficit reduction plan shall identify the steps required to eliminate the School Corporation's deficit over a reasonable period of time through a combination of strategies, including cost-reduction, debt-restructuring and revenue enhancement while providing for the on-going operations of the School Corporation.*

Also included in SEA 567 are the following two reports:

1. Audit and Financial Plan – Develop financial plans
2. Debt Resolution Plan – Long-term plan to retire all outstanding obligations

Due to the similarities and overlapping analysis and content of these two reports, they have been combined into the VDRP.

MULTIPLE PATHS TO FISCAL SOLVENCY

The VDRP, VDRPU1, VDRPU2, VDRPU3, VDRUP4, VDRPU5, VDRPU6, and VDRPU7 identify and detail 31 initiatives to eliminate the GCSC annual fiscal deficit and address the accumulated long-term debt. The overarching theme of the VDRP, VDRPU1, VDRPU2, VDRPU3, VDRUP4, VDRPU5, VDRPU6, and VDRPU7 is that there are multiple pathways to fiscal solvency for GCSC.

These multiple pathways are analogous to a candidate winning the U.S. presidency by securing at least 270 electoral college votes. In a presidential election there are multiple pathways to at least 270 electoral college votes. Throughout a campaign the candidate's path to at least 270 electoral college votes may change based on evolving assumptions, analysis, conditions, and situations. While the goal of at least 270 electoral college votes remains constant, the path to secure these votes may change.

The path to fiscal solvency for GCSC is similar to the path for at least 270 electoral college votes for a presidential campaign. The initial strategy may require change due to evolving assumptions, analysis, conditions, and situations. While the goal of fiscal solvency remains constant, the strategy and pathways taken will likely change based on numerous factors. Some initiatives may unfold and materialize as planned. Other initiatives may not materialize as planned or may change from the initial plan.

However, the 31 initiatives detailed in this report will allow GSR the flexibility to follow multiple pathways, change pathways as needed, and even develop new pathways as needed to achieve the ultimate goal of fiscal solvency for GCSC.

VDRP UPDATES

GSR is required to submit updates to the VDRP to the DUAB at least once every six months per the following section of SEA 567.

> *The Emergency Manager shall update the written financial plan at least once every (6) months after the date of providing the original written financial plan to DUAB or more frequently as needed in order to allow the written financial plan to reflect the most current financial status of the School Corporation.*

The original VDRP, VDRPU1, VDRPU2, VDRPU3, VDRUP4, VDRPU5, VDRPU6, and VDRPU7 is included in this report. The next update will be provided to DUAB on or before January 31, 2022.

2.0 PRESENT INITIATIVES AND UPDATES

2.A. SUSPEND COMMON SCHOOL LOAN PAYMENTS

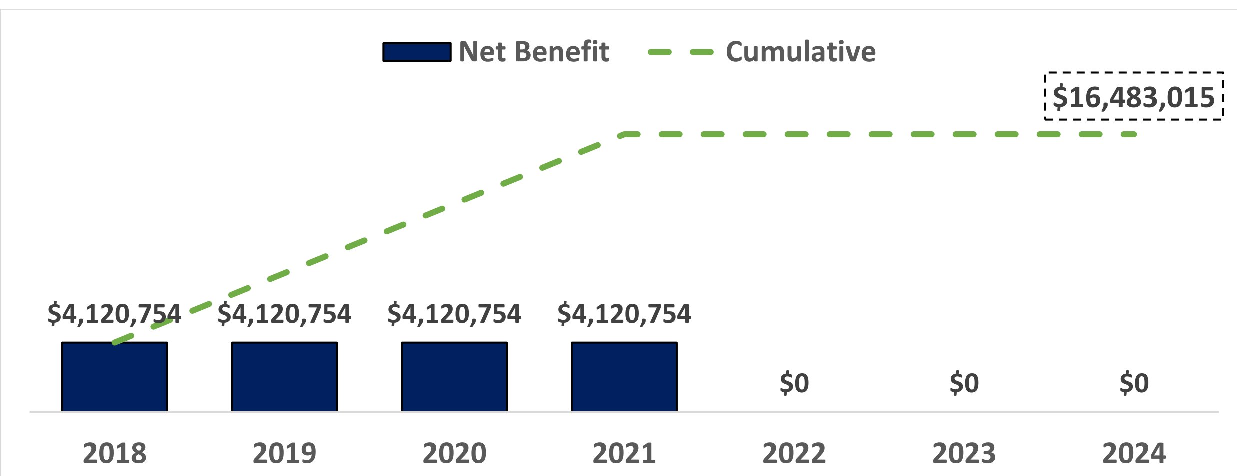
Per SEA567 of 2017, "the Emergency Manager may request that DUAB delay or suspend payment of principal and/or interest on GCSC's loans or advances from the Common School Fund."

GCSC has borrowed approximately $40,000,000 from the Indiana Common School Loan fund. While the VDRP charts the path for GCSC to gain financial stability and pay down accumulated debt including loans to the Indiana Common School Loan fund, fiscal stabilization and debt paydown is more than a year away. Until complete fiscal stability is reached, GCSC will require financial support from the state of Indiana.

As the GCSC Emergency Manager team works to gain fiscal stability, payments to pay back past loans to the Indiana Common School Loan fund are required. Annual principal and interest payments from GCSC to the Indiana Common School Loan fund are over $4,000,000 per year. For the next year or more, as GCSC requires financial support from the state of Indiana, GCSC is paying the state of Indiana for past support.

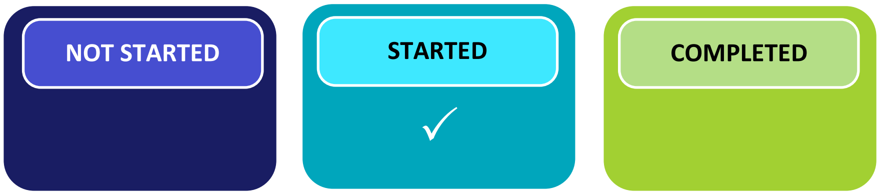
Suspending payments from GCSC to the Indiana Common School Loan fund will expedite fiscal stability for GCSC. Suspension of loan payments is not abandoning or requesting loan forgiveness, suspension places a pause on payments until GCSC fiscal order is restored.

FISCAL IMPACT



2.A. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



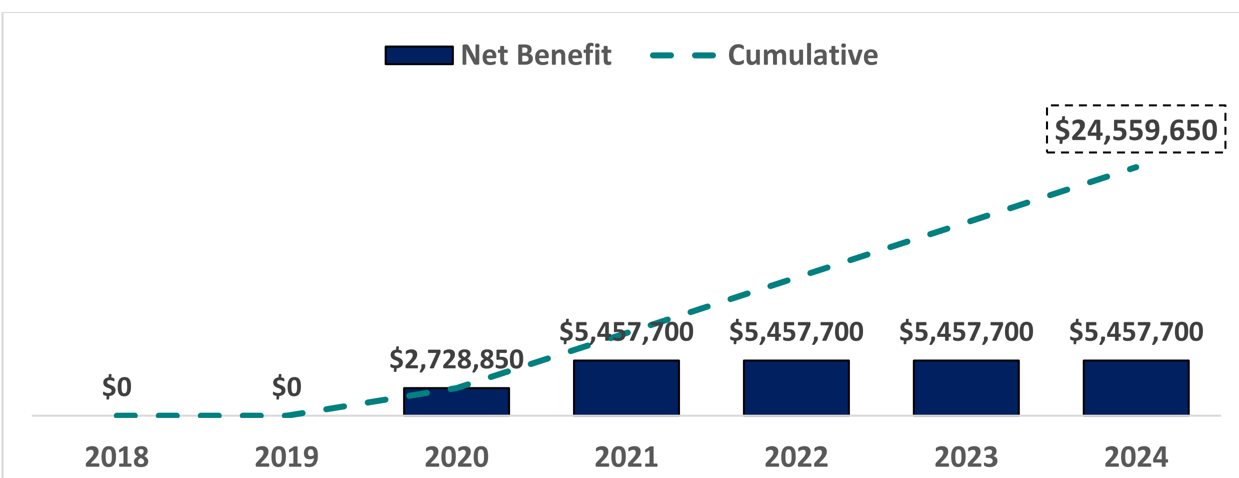
STATUS

Based on HEA 1065 of 2020, a request to temporarily suspend GCSC loan repayments was submitted and approved in June 2020. Repayments of the non-interest-bearing Common School Loans were officially suspended for 54 months starting July 2020. The suspension will provide GCSC with approximately $470,000 per month that will be used on school improvement projects.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$14,422,638	**$5,457,700**	**$-8,964,938**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

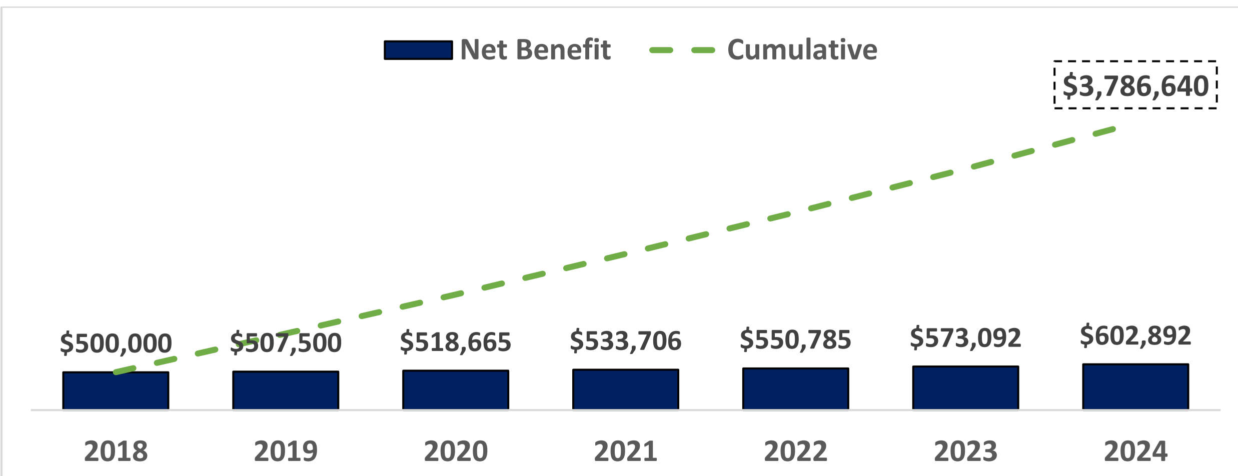


2.B. MAXIMIZE FEDERAL FUNDS

Federal funds for GCSC include Title I, Title II, Title III, IDEA and other federal programs. Federal funds can only be used for instructional purposes such as classroom materials, professional development, ELL programs, and special education. Receipt of federal funds is dependent on strict compliance with funding and reporting requirements, record keeping, and accounting practices. GCSC budgeted approximately $7,000,000 in federal funds for the 2017-18 school year.

Through adherence to proper internal controls, maximizing indirect cost recovery, accurate budgeting, and diligent accounting oversight, GCSC will increase federal funds revenue in future years. This increased revenue is either new revenue into GCSC or will be a reduction in costs currently expended from the GCSC General Fund.

FISCAL IMPACT



2.B. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

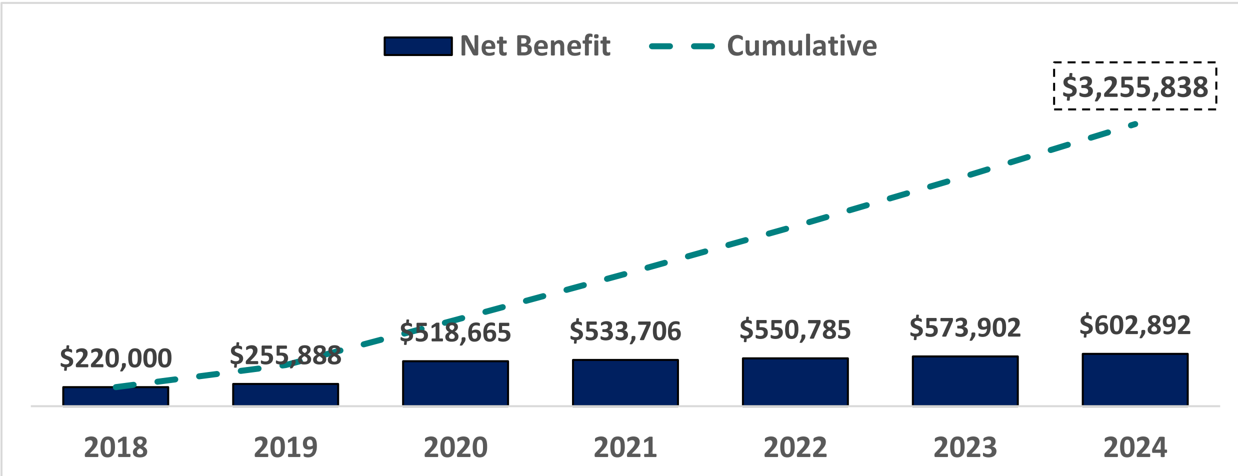
The federal funds budget for the 2020-21 school year was finalized in late 2020. The 2020-21 federal funds budget includes additional revenue from prior years from better accounting practices, oversight and identification of additional grants and awards. In 2021 and beyond emphasis is given to (1) higher compliance completing and submitting proper documentation and (2) funding all federal funds eligible purchases from the proper revenue source. In 2020-21, federal funds allocated to Gary Community School Corporation exceeded $11,000,000 which reflected an increase over prior years. Note that part of this increase is due to a carryforward from prior years. The future projections for this initiative were calculated using 2017 as the base year. For example, in 2021, GCSC projected that it would increase federal funds revenue by $533,706 from the amount received in 2017.

The federal funds identified in this initiative exclude stimulus dollars applicable to COVID19 relief.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$1,793,018	**$1,261,406**	**$-531,612**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

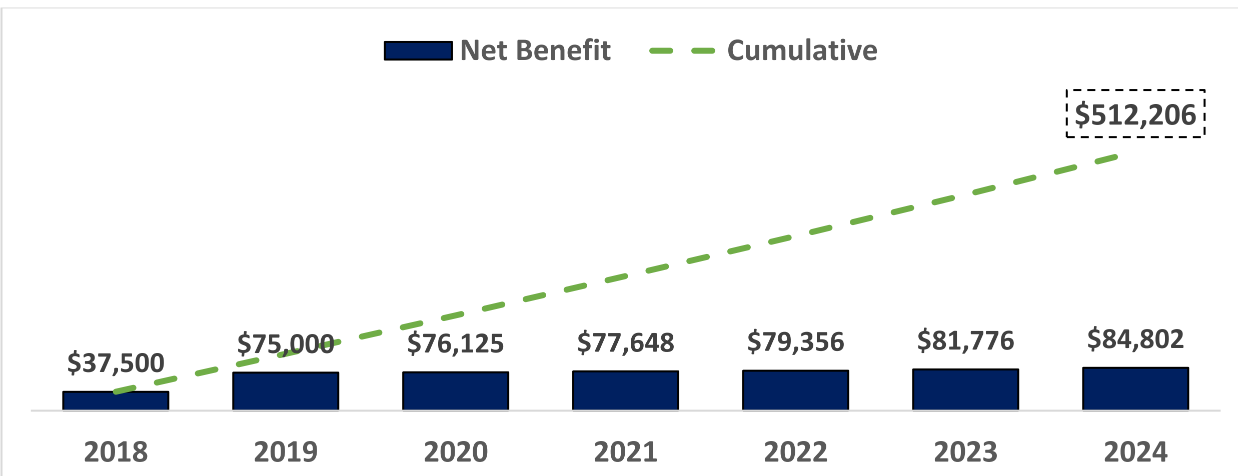


2.C. MAXIMIZE MEDICAID FUNDS

For some GCSC students with an Individual Education Plan (IEP), Medicaid reimbursement is available for specific services such as speech and physical therapy. Similar to the receipt of other federal funds, the receipt of Medicaid reimbursement is dependent on strict compliance with funding and reporting requirements, record keeping, and accounting practices.

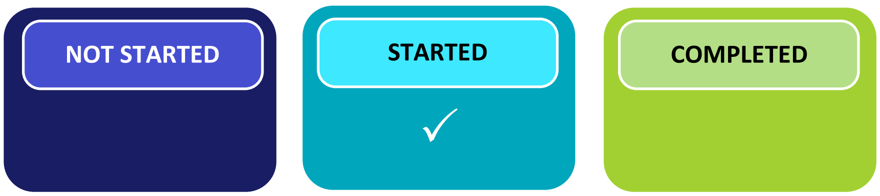
Currently, and proposed for the future, a third-party contractor provides Medicaid claiming services for GCSC. The vendor submits the reimbursement request, monitors reimbursement, receives reimbursement, and is compensated for their expertise and results by retaining a percentage of the reimbursement. Additionally, Medicaid reimbursement can be realized for GCSC through adherence to internal controls, collaborating more with the Medicaid vendor, and especially diligent and deliberate attention to enrolling eligible students. Enrollment is not a difficult process for GCSC personnel or for parents of eligible students. The enrollment process just requires deliberate attention and action.

FISCAL IMPACT



2.C. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



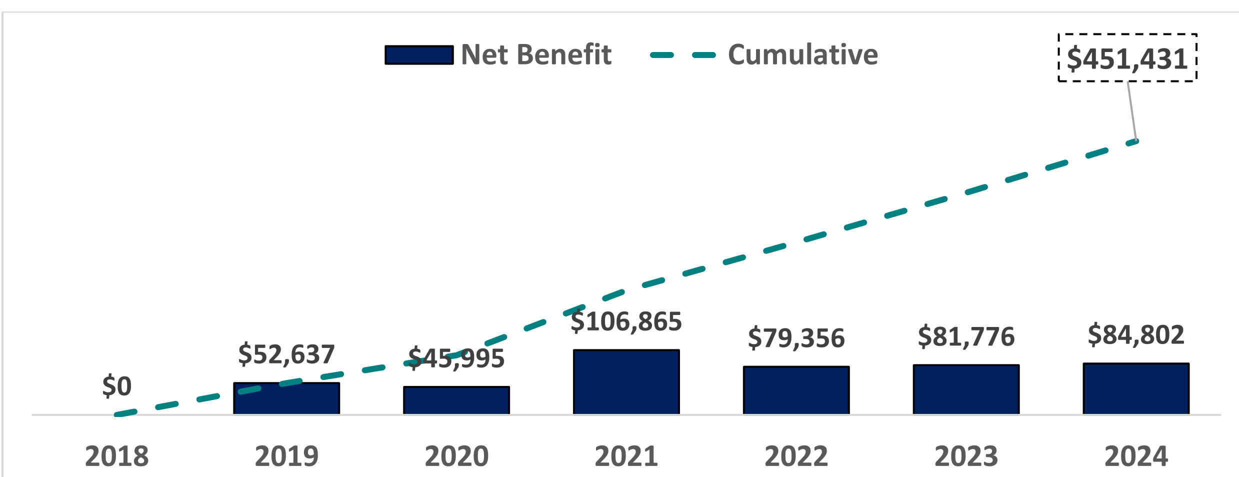
STATUS

GCSC will continue to use a third-party provider to recover Medicaid revenue. In 2021 and beyond emphasis is given to increasing revenue recovery through higher compliance completing Medicaid eligibility forms and submission. The future projections for this initiative were calculated using 2017 as the base year.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$227,449	**$166,674**	**$-60,775**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



2.D. PAY FOR SUCCESS

Pay for Success, also referred to as social impact investments, are financial and operational agreements between a government entity, an investor and a social impact provider for the achievement of specific outcomes. For this initiative, the government entity is the state of Indiana, the investor could be a private entity such as a bank, investment fund or philanthropic organization, and the provider is GSR. Additionally, for this initiative, social impact is highly desired academic or operational outcomes at GCSC such as an early childhood intervention or learning center, a middle school STEM or Innovation Academy, or a high school college and career readiness program.

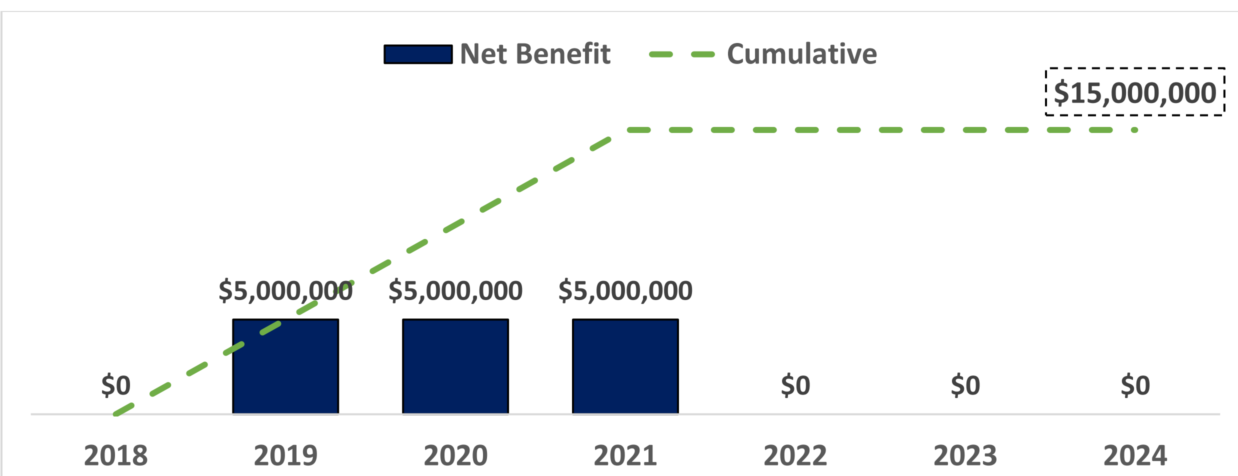
A foundational component of social impact investments is that the risk of financing social impact outcomes is transferred to the investor from the government entity that usually funds directly or indirectly the desired outcomes. Based on market principals, the investor's risk is rewarded or penalized in proportion to the outcomes achieved.

Only to the extent the desired social impact outcomes are achieved, the government entity repays the investor plus a reasonable return on the investment. The investor and the government entity rely on the social impact provider to deliver the desired outcomes.

At least 20 states have introduced legislation and eight states have passed legislation to allow Pay for Success programs. It is estimated that more than 60 Pay for Success investments have been made for a variety of social impact outcomes.

GSR has the capacity and capability and is positioned between the state of Indiana and potential investors to deliver social impact outcomes for GCSC. Due to the national reputation and reach of GSR's parent company, MGT Consulting LLC (MGT), and GSR's demonstrated progress with GCSC, a social impact investment could be financially significant.

FISCAL IMPACT



2.D. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

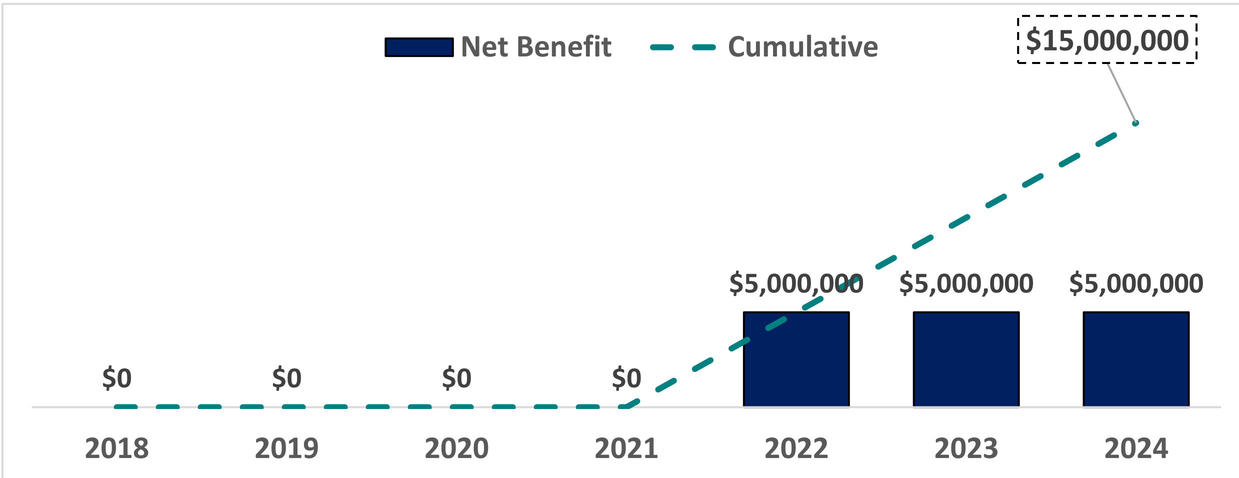
STATUS

Representatives from DUAB, GSR, and MGT met in Gary in June 2018 to discuss the structure, framework and applications for Pay for Success activities across the U.S. This meeting answered many general questions about a Pay for Success initiative with GCSC. The next step for this initiative is to identify several Pay for Success applications, and associated cost benefit analyses, for GCSC that can be adopted in 2021.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$12,500,000	**$0**	**$-12,500,000**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



2.E. LOCAL REFERENDUM

A referendum is a public question placed on a ballot by a local governing body. Indiana Code 20-46-1-8 allows the governing body of a school corporation to adopt a resolution to place a public question on a ballot if the governing body determines that the school corporation (1) cannot carry out its public educational duty unless it imposes a referendum tax levy or (2) that a referendum tax levy should be imposed to replace property tax revenue that the school corporation will not receive because of the application of circuit breaker credits. School referendums have become more common since 2008 when Indiana passed property tax caps.

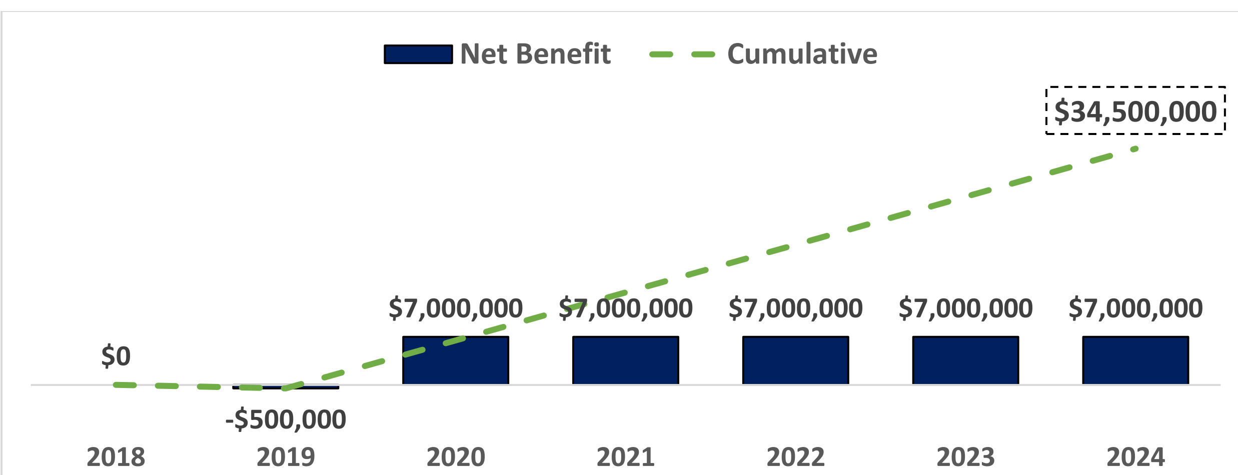
Property taxes that are approved by voters in a referendum are not subject to the property tax caps. Therefore, any successful referendum may result in a property tax bill that exceeds the caps (1 percent of assessed value for homesteads [owner-occupied residence], 2 percent for other residential properties and farmland, and 3 percent for all other property).

GCSC has held referendum elections in prior years that have failed. The most recent referendum election was in 2016, which failed by several hundred votes. It has been estimated that the most recent referendum would have generated between seven and eight million dollars per year for GCSC operating needs.

Schools can hold elections during the primary or general elections scheduled on the Indiana election calendar which are the first Tuesday in May and the first Tuesday in November every year.

Only a simple majority is required to approve a ballot question for bond issues, property tax cap, or a referendum levy. According to IndianaPublicMedia.org, “referenda have a better chance of passing during May primaries because it can often be one of the more notable parts of a ballot.” Therefore, a referendum in May of 2019 has the highest probability of success.

FISCAL IMPACT



2.E. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

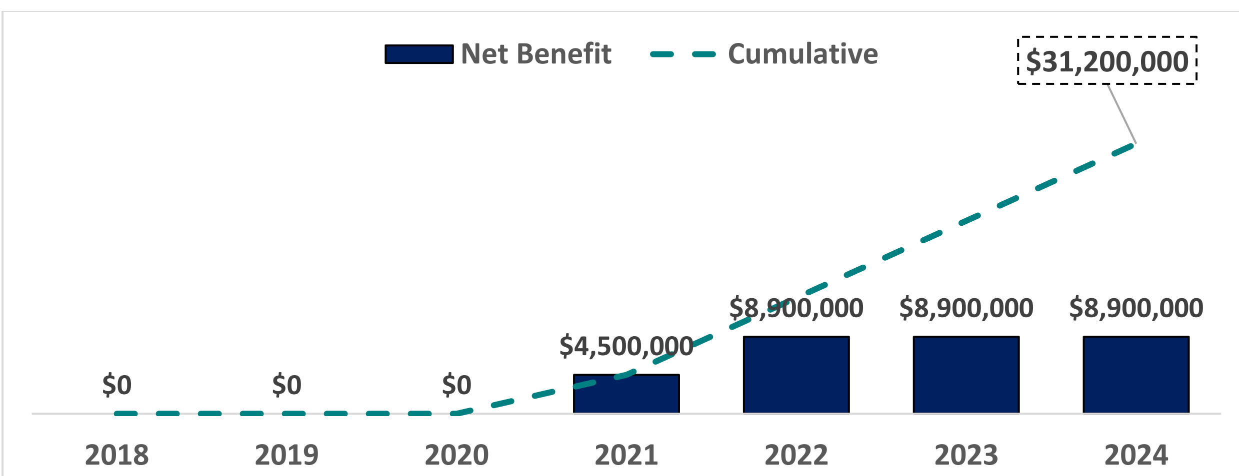
NOT STARTED	STARTED	COMPLETED
	✓	

A referendum was approved by Gary voters in November 2020. The additional property taxes are expected to generate additional revenues for GCSC for instructional salary increases, education and support services, arts, athletics and extracurricular programs. Collections are expected to commence 2021.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$10,000,000	**$4,500,000**	**$-5,500,000**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



2.F. INCREASE ENROLLMENT

Student enrollment in GCSC for the 2017-18 school year is approximately 4,800 students. An increase in enrollment of 5 percent in the 2018-19 school year yields approximately 250 additional students. An increase of an additional 5 percent in the 2019-20 school year yields approximately 300 additional students. Every additional student yields additional revenue for GCSC.

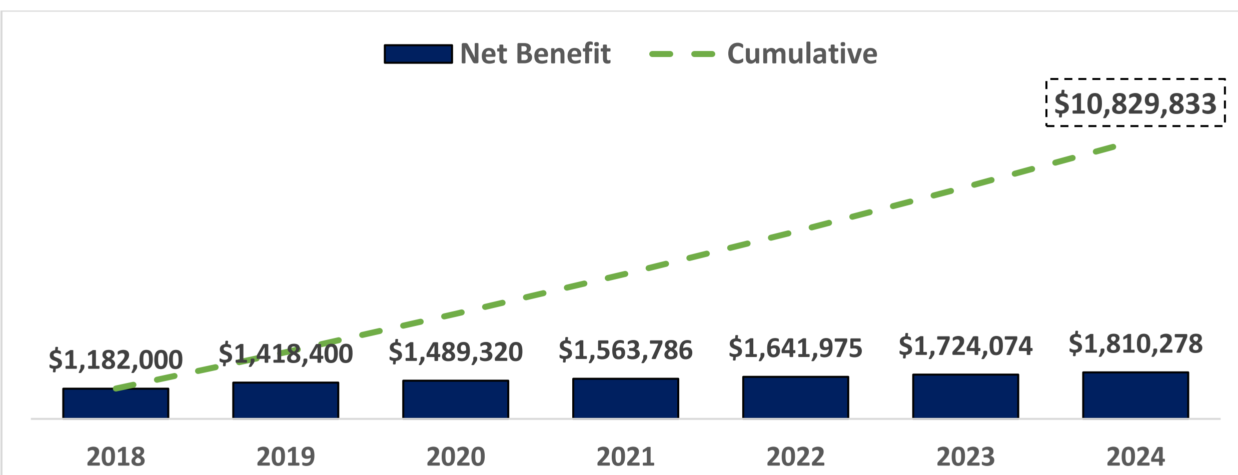
The incremental increases in student enrollment represents a term known as organic growth. Organic growth means growth from students within the current corporation boundary who chose to enroll in GCSC schools.

Parents and students will choose to enroll in GCSC in the 2018-19 and future school years based on several key factors. The first key factor is increased academic performance. Parents and students are beginning to see demonstrated commitment and allocation of resources to improving academic performance which will carry into 2018-19, and subsequent years, enrollment decisions.

Another key factor is demonstrated attention and commitment to improving the conditions of schools and the impact facility conditions have on learning. The allocation of resources to specific schools to improve the appearance, operations, and learning experience will lead to increased enrollment.

The final key factor is the demonstrated improvement and stabilization of the GCSC financial situation. As GCSC implements the plans submitted over the past months for adopting internal controls, implementing efficiencies in administrative systems and processes, optimizing the use of facilities, rightsizing the workforce, and other actions, parents and students will no longer be forced to wonder if GCSC will survive another year. Stabilizing GCSC's finances and implementing plans will reverse the enrollment trend in past years and lead to increased enrollment in 2018-19 and future years.

FISCAL IMPACT



2.F. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

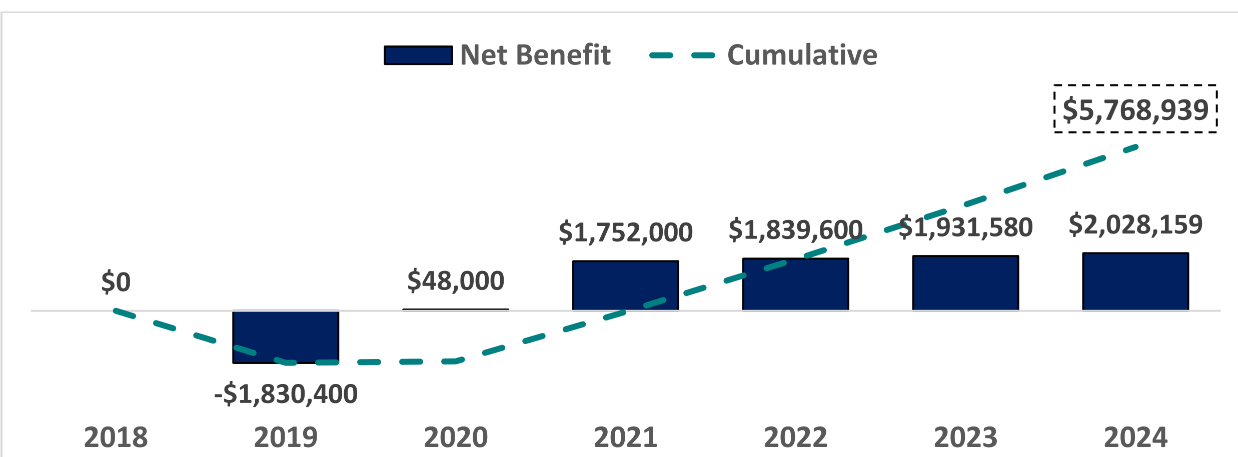
STATUS

The actual increase in organic enrollment will not be known until the 2020-21 school year count date in September 2021. An organic enrollment increase of five percent per year is still a realistic projection. The future projections for this initiative were calculated using the previous year as the base year. For example, GCSC projects an increase in enrollment revenue of $1,752,000 in 2021 from the enrollment revenue generated in 2020.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$4,871,613	**$-2,102,500**	**$-6,974,113**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30. 2021



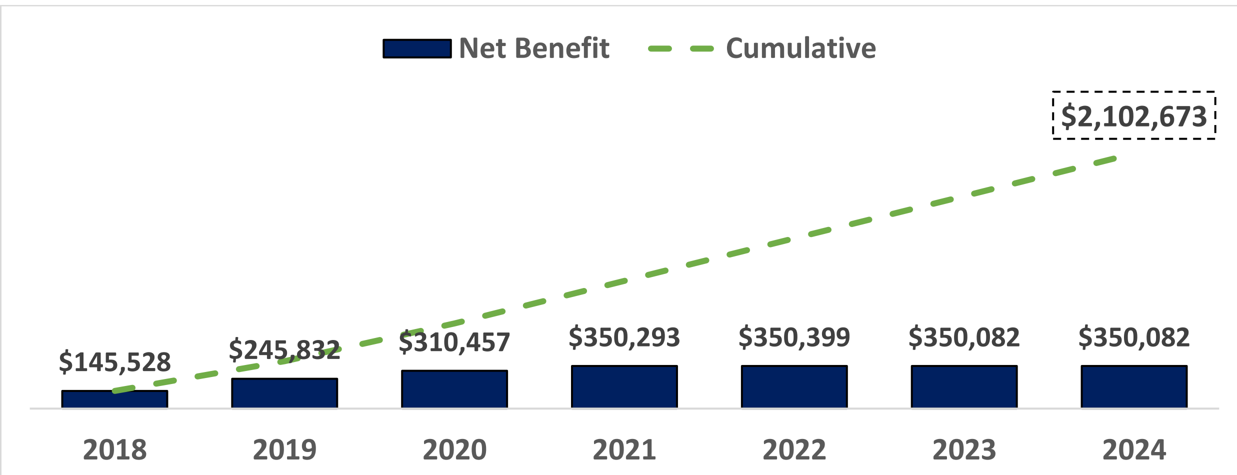
2.G. CO-LOCATION AND CO-BRANDING OF GACC AND IVY TECH

The GCSC Gary Area Career Center (GACC) and Ivy Tech Community College Northwest Indiana (Ivy Tech) are forming a partnership to financially and operationally benefit both entities.

Ivy Tech will locate into the GACC which will expand GACC offerings, including welding and building trades with other offerings in the future. These expanded offerings will provide increased enrollment and allow the GACC to be self-funded using state and federal dollars associated with enrollment. Enrollment increases may also occur through partnerships with neighboring schools and local charter schools that may send students to GACC for career programs.

The relocation of Ivy Tech will expand program access for Ivy Tech students through dual credit and industry certification options.

FISCAL IMPACT



2.G. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

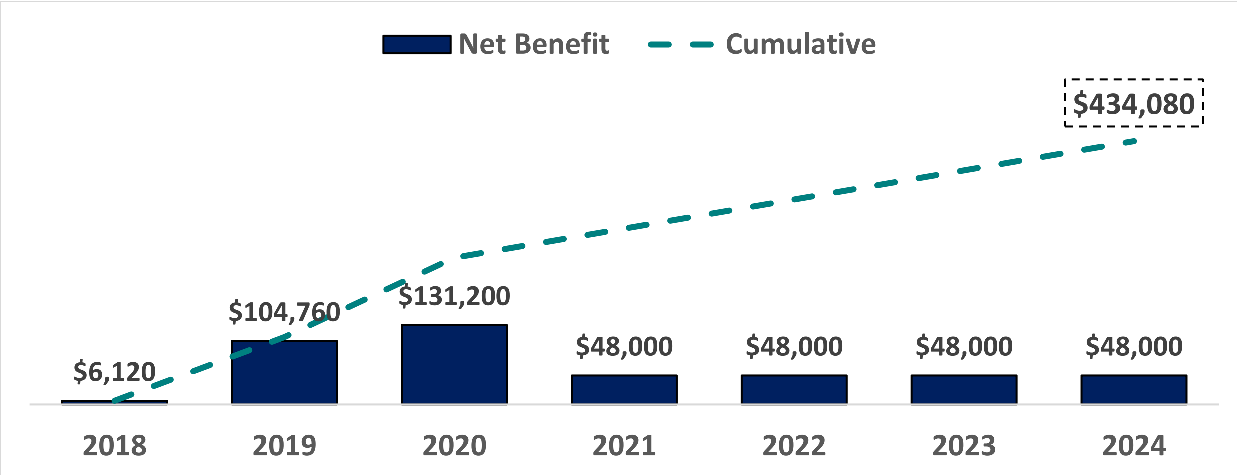
STATUS

The actual increase in enrollment for students enrolled at the Gary Area Career Center (GACC) for the 2020-21 school year will not be known until September 2021. Ivy Tech's potential impact will be removed as Ivy Tech will not partner with GCSC to co-locate. Each out-of-district student enrolled represents approximately $3,200 in annual revenue to GCSC. Each student represents a variable amount of net revenue for GCSC depending on the course(s) taken and associated costs but within a range of a few hundred dollars per student. Revenue from Perkins Grant allocations also increase, when available, based on student enrollment. The future projections for this initiative were calculated using the previous year as the base year.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$876,963	**$242,080**	**$-634,883**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



2.H. SYSTEM OF GREAT SCHOOLS

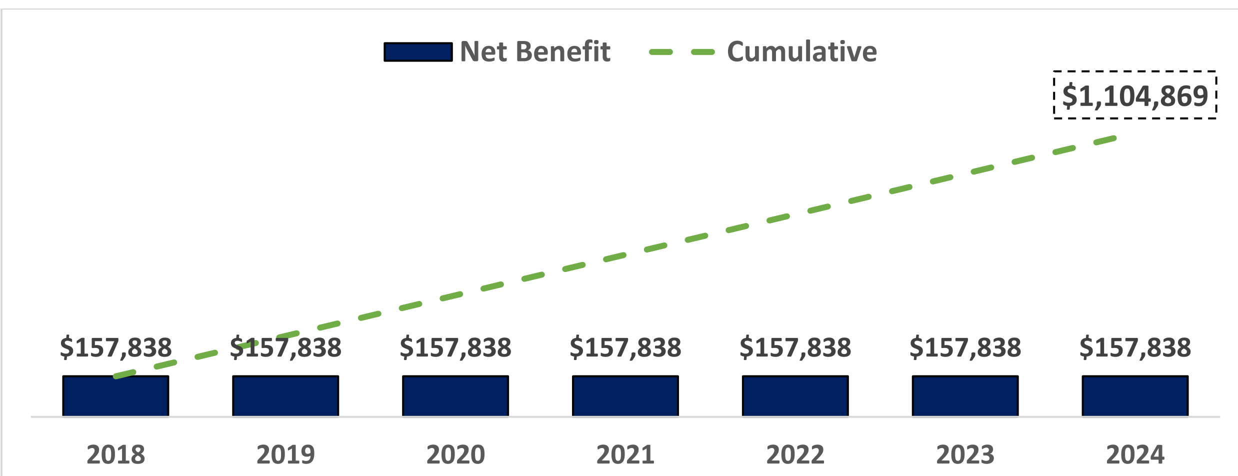
A component of the System of Great Schools transformation strategy is a partnership or an agreement between GCSC schools and existing charter schools within the GCSC boundary. The opportunity exists for GCSC to partner with the existing charter schools to the mutual benefit of GCSC and the existing charter schools.

Under the leadership and management of the Emergency Manager team and through the expertise of GSR, GCSC has the capacity and capability to become the authorizer of some, or all, of the existing charter schools in the GCSC boundary. Converting an existing GCSC school to a charter school or creating a new charter school within the GCSC boundary is NOT proposed.

A partnership between GCSC and existing charter schools could realize economies of scale for cost reductions through shared services such as administration, custodial, maintenance, and transportation. Additional cost savings could be realized through a larger personnel pool for employee benefits and professional development.

In addition to potential cost reductions to GCSC, both GCSC students and existing charter school students could benefit through jointly offered and supported extracurricular programs, activities, and athletics.

FISCAL IMPACT



2.H. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

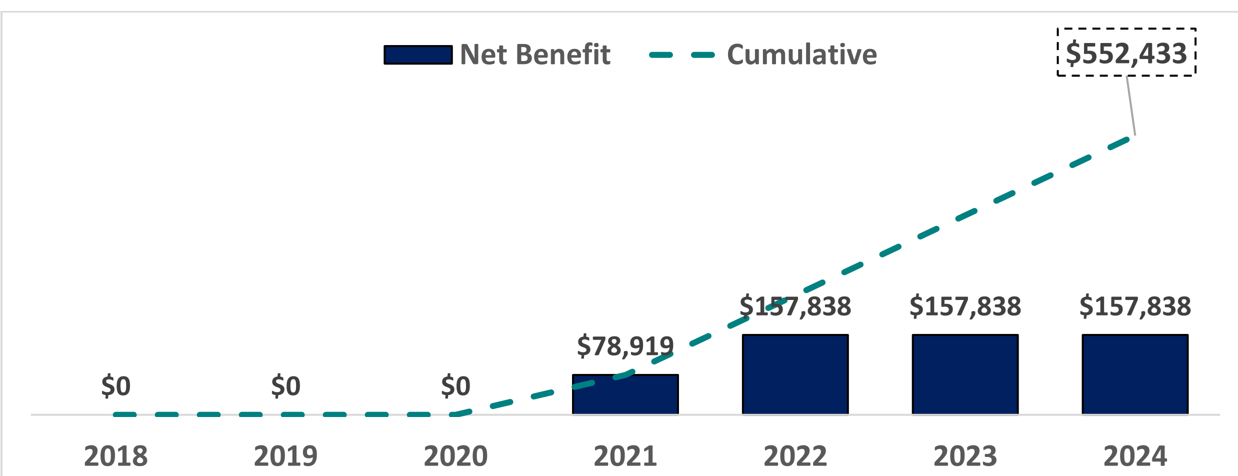
STATUS

Partnerships or agreements with existing charter schools for GCSC to provide management, administrative or support services have not been negotiated as of June 2021. Strategic decisions in alignment with other VDRPU7 initiatives as well as academic and community alignment will occur throughout 2021 and beyond.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$552,434	**$0**	**$-552,434**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



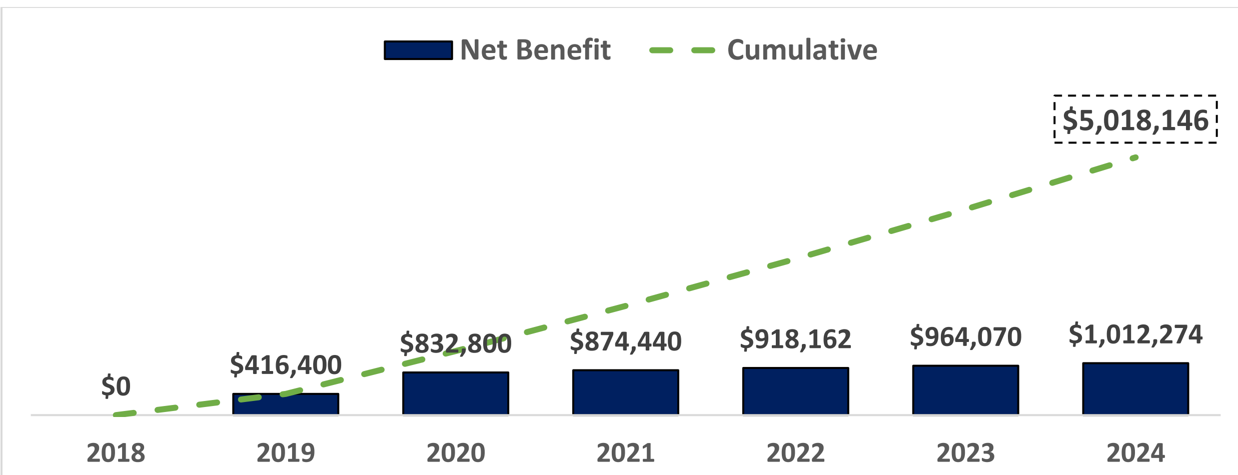
2.1. ACQUIRE / IMPLEMENT AN ONLINE PROGRAM

Under the leadership and management of the Emergency Manager team and through the expertise of GSR personnel, GCSC has the capacity and capability to acquire and/or implement an online education program. An online program will increase, or retain, current GCSC enrollment which will increase, or retain, GCSC revenue.

Initially, the online program will supplement existing curriculum and will be used in communication materials to help potential students and their families understand the breadth of the curriculum available. Online course offerings will also be offered as hybrid courses at the career center to enable students to stay all day at the Gary Area Career Center (GACC), avoiding long bus rides.

Online and/or hybrid resources and course offerings will also be expanded for disenfranchised students from within the GCSC boundary as well as potential students from outside the GCSC boundary who would like to complete requirements for a high school diploma.

FISCAL IMPACT



2.1. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED | STARTED ✓ | COMPLETED

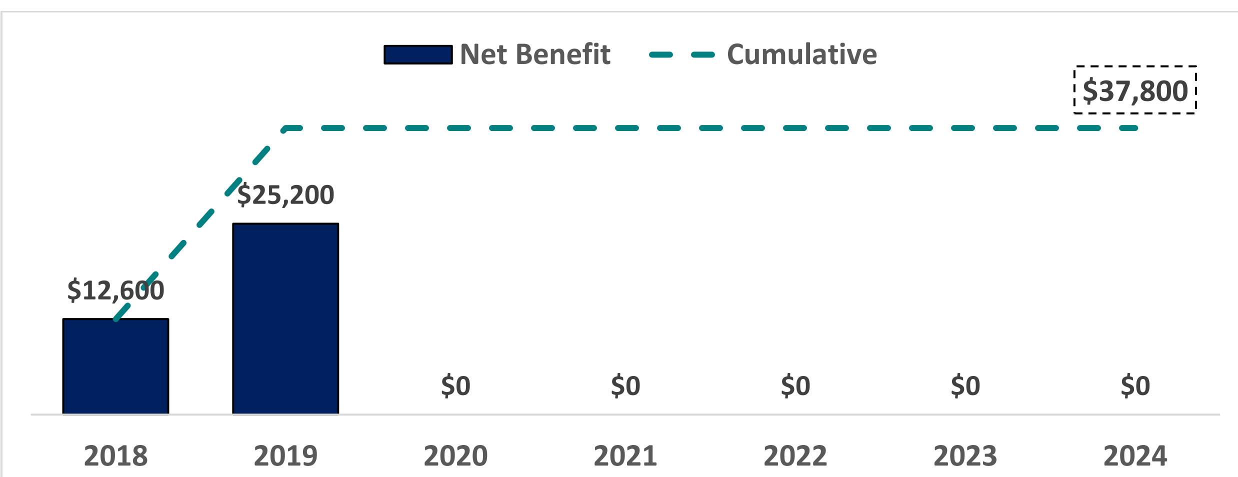
STATUS

With actual enrollment of 36, enrollment for GCSC for the 2019-20 school year for a blended learning model fell far short of projections. Enrollment for the blended learning program was significantly lower than anticipated. As a result, GCSC suspended this initiative.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$1,686,420	**$37,800**	**$-1,648,620**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

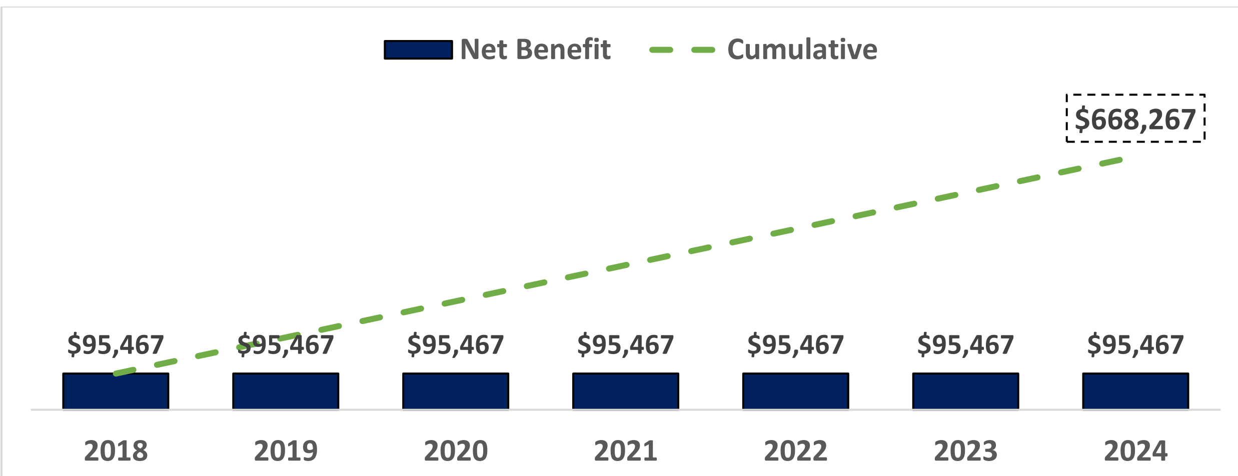


2.J. COMMUNITY CROWDFUNDING

While not a significant source of annual revenue, community crowdfunding will combine nominal additional revenue with ownership in the success of GCSC from the parent and neighborhood community. Combining technology, social media, and a deliberate communication strategy, revenue can be raised from parents and community members to offset current GCSC costs for athletics and activities.

Increasing offerings in athletics and activities, and the associated increased participation in athletics and activities will generate awareness and pride in GCSC from the community which will help improve the reputation of GCSC. Improving the GCSC reputation will create a cycle of additional support and ownership from the overall community.

FISCAL IMPACT



2.J. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

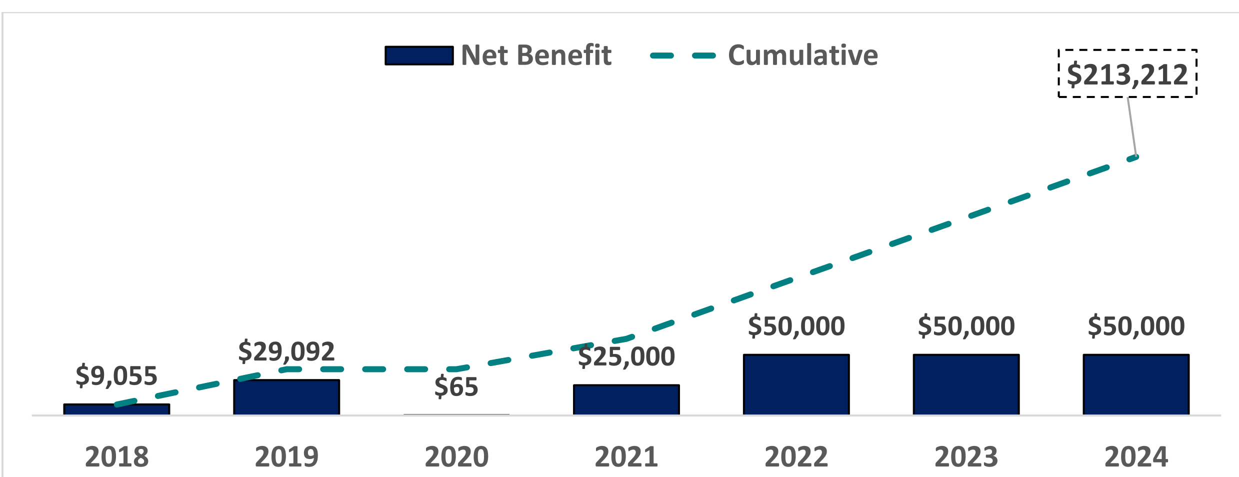
STATUS

The Arts program at West Side Leadership Academy has strong leadership and history carried forward from Wirt Emerson. Supporters of the Arts program contribute to programs for GCSC. Emphasis for 2021 and beyond is to expand this base of support.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$334,134	**$38,212**	**$-295,922**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

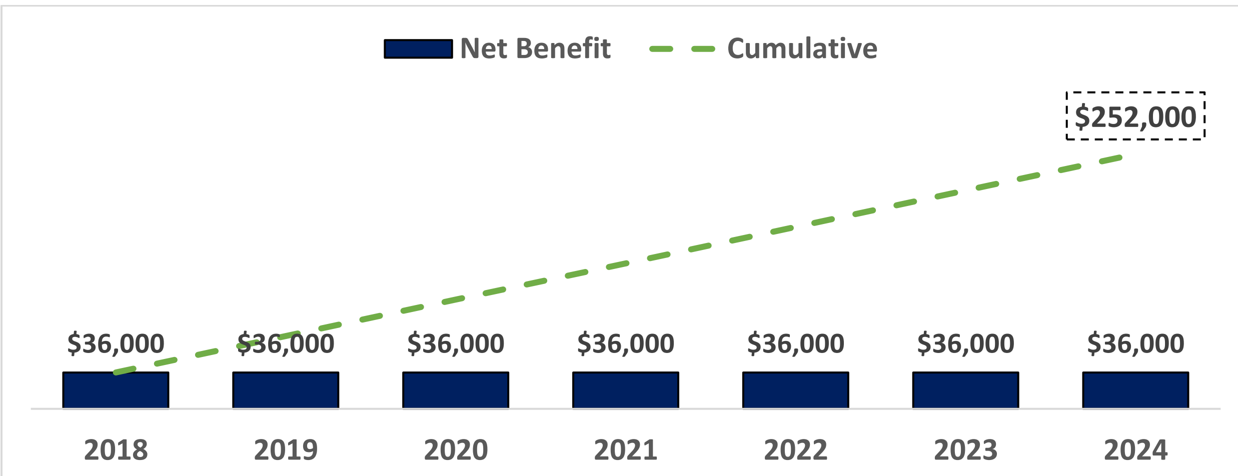


2.K. RENT BUILDING SPACE

GCSC realizes a small amount of annual revenue from renting space in the GACC. As the partnership with Ivy Tech evolves and the Career Center programs and profile improve, there may be additional opportunities to generate revenue from renting, leasing, or other types of agreements with outside entities.

Options to generate revenue from other GCSC facilities, both vacant and occupied, will be explored.

FISCAL IMPACT



2.K. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED | STARTED ✓ | COMPLETED

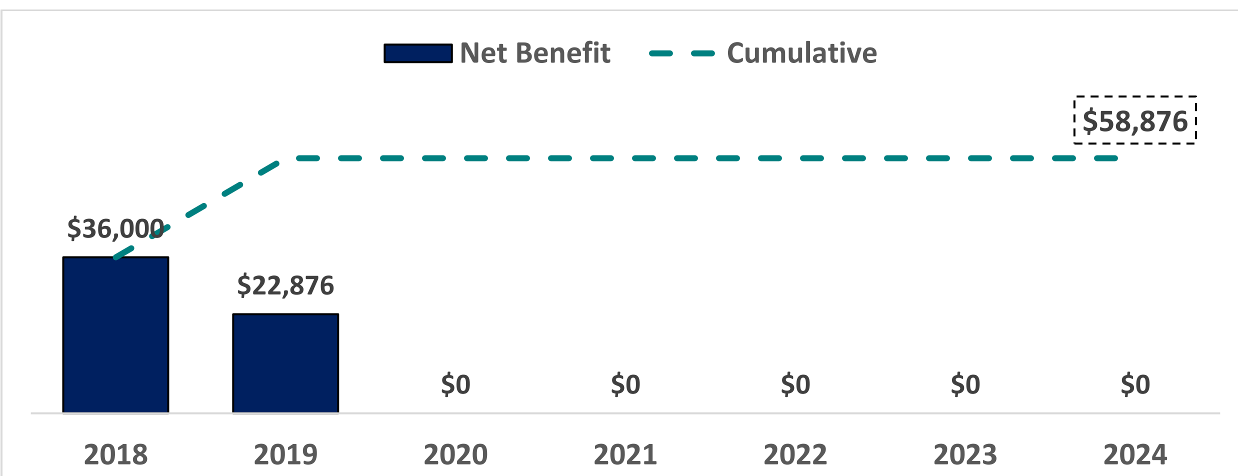
STATUS

Rental revenue generated from Goodwin during the summer of 2019 was a one-time partnership. The career center did not generate any rental income in the first six months of 2021.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$126,000	**$58,876**	**$-67,124**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

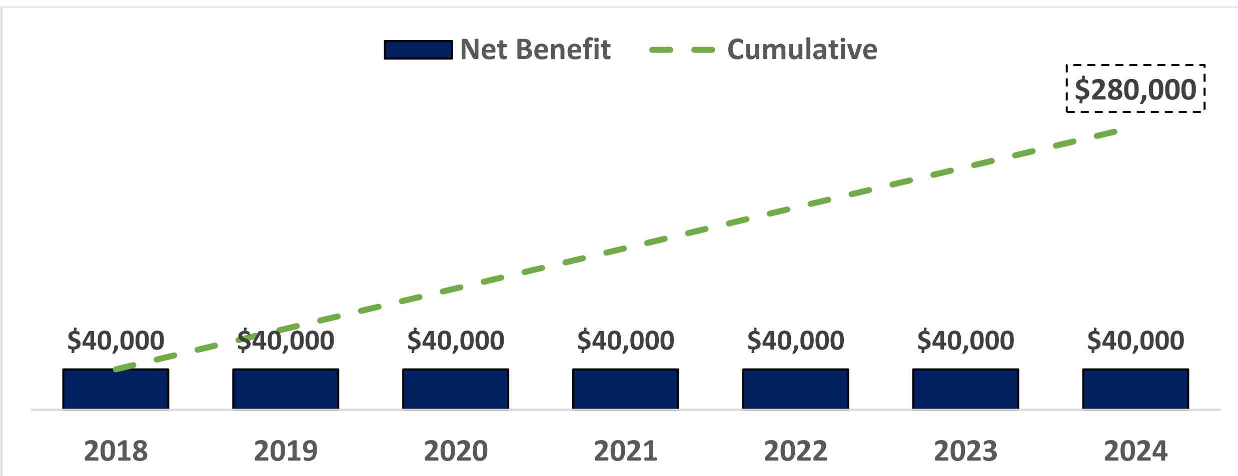


2.L. JOINT PURCHASING COOPERATIVE

GCSC must purchase common office, maintenance, custodial, and instructional materials and supplies to operate. Materials and supplies are currently purchased on an as-needed and ad-hoc basis from numerous vendors. Efficiencies and cost savings can be realized by purchasing needed materials and supplies through a purchasing cooperative. A purchasing cooperative pools multiple organizations who purchase identical materials and supplies to realize price and shipping discounts and considerations.

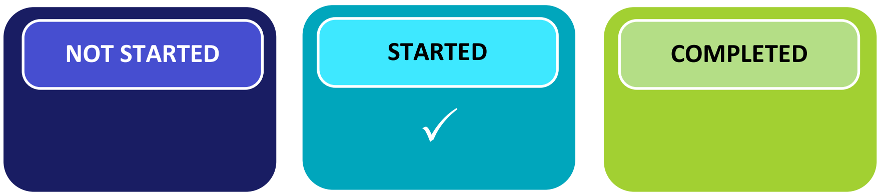
The Wilson Center or the Northwest Indiana Cooperative are examples of purchasing cooperatives that GCSC could join and generate savings through economies of scale and piggyback on joint agreements. All purchasing cooperative options will be explored and the best option will be adopted.

FISCAL IMPACT



2.L. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



STATUS

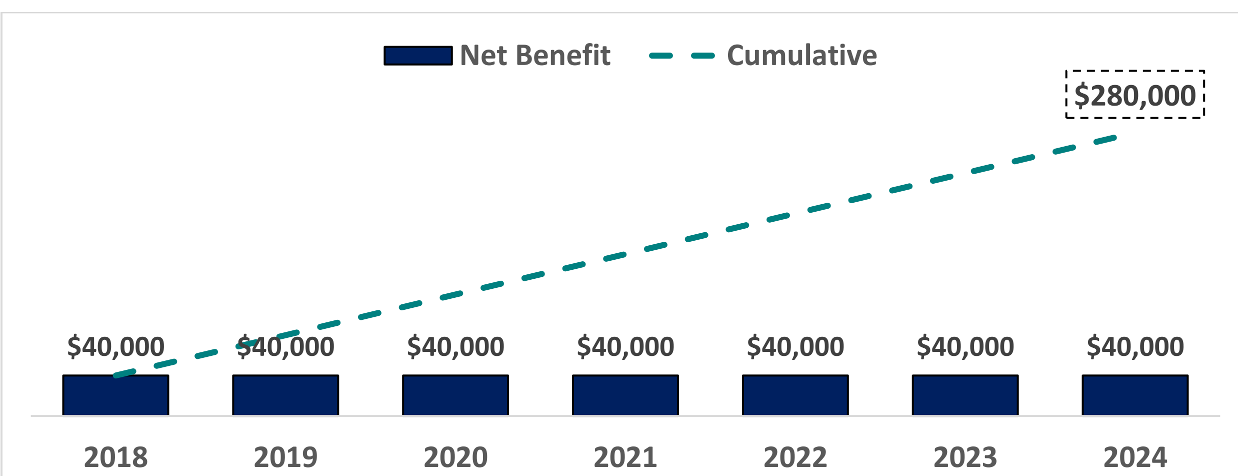
For non-custodial and maintenance GCSC purchases, competitive purchasing processes have been implemented. The primary cost savings process is to purchase many types of items and supplies through Amazon which is most often less expensive than other vendors and includes free shipping. Adherence with procurement procedures also creates cost savings.

Conversations with the custodial vendor that began upon contract execution regarding services, service delivery and procurement will continue throughout 2021.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$140,000	**$140,000**	**$0**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

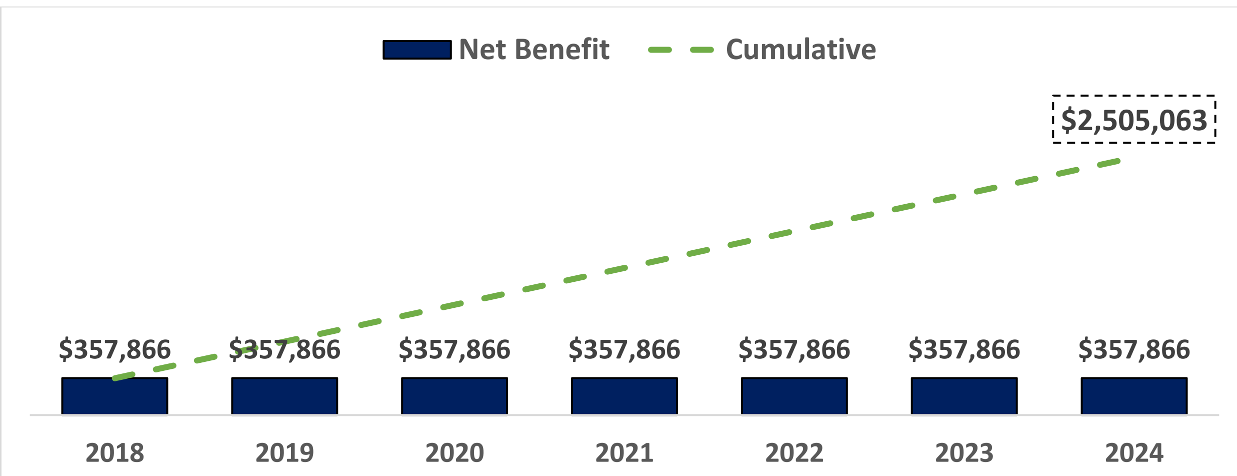


2.M. FOOD SERVICES FUND ACCOUNTING

Food services includes making and serving breakfast and lunch meals for GCSC students. The food services program is currently operated by Sodexo and the Indiana Department of Education (IDOE). The IDOE is actively involved in the food services program due to past mismanagement by GCSC operating the program. However, by the end of the 2017-18 school year, GCSC will resume operating the food services program jointly with Sodexo.

Adopting internal controls and proper accounting and recordkeeping processes and procedures will result in a net financial benefit for GCSC. The net benefit is a combination of generating additional revenue and relief to the GCSC general fund. The net benefit is realized by identifying, properly recording, and charging all applicable costs to the food services program, using food services program fund balance for capital purchases, and diligent managerial oversight of operating and accounting for the program.

FISCAL IMPACT



2.M. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

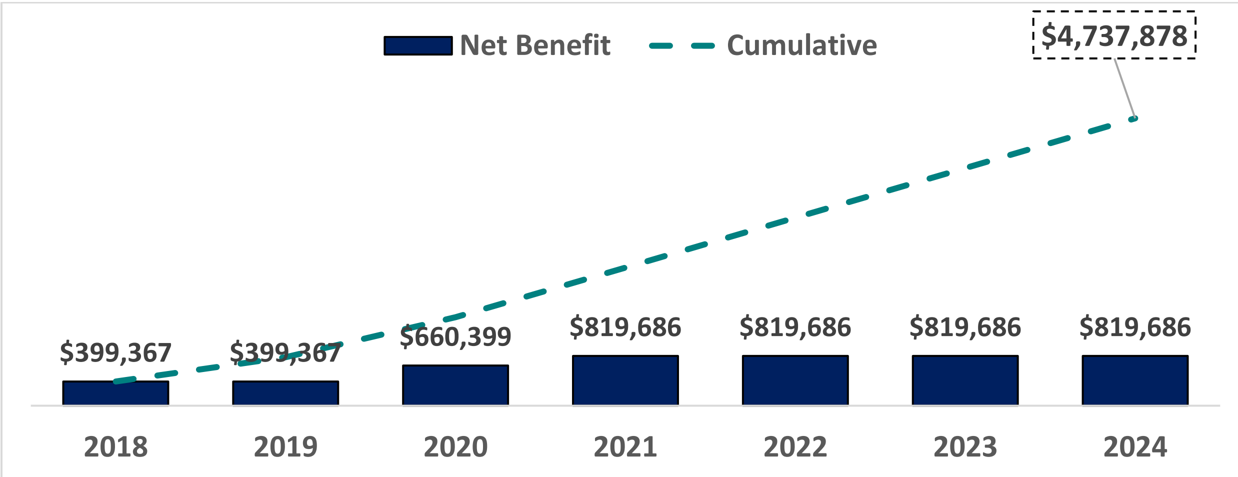
Beginning with the 2018-19 school year an appropriate portion of the cost of food services was charged to the food services program. This cost was paid from the food services program as opposed to the General Fund. Examples of allowable activities charged to the food services program include lunchroom monitoring, pre-meals cleaning and post-meals cleaning.

Continuing in the 2021-22 school year and beyond, revenue from the food services account will be used for kitchen and lunchroom equipment purchases as well as for repairs and maintenance on existing equipment. These types of purchases have been expended from the General Fund in prior years.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$1,252,531	**$2,079,136**	**$826,605**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



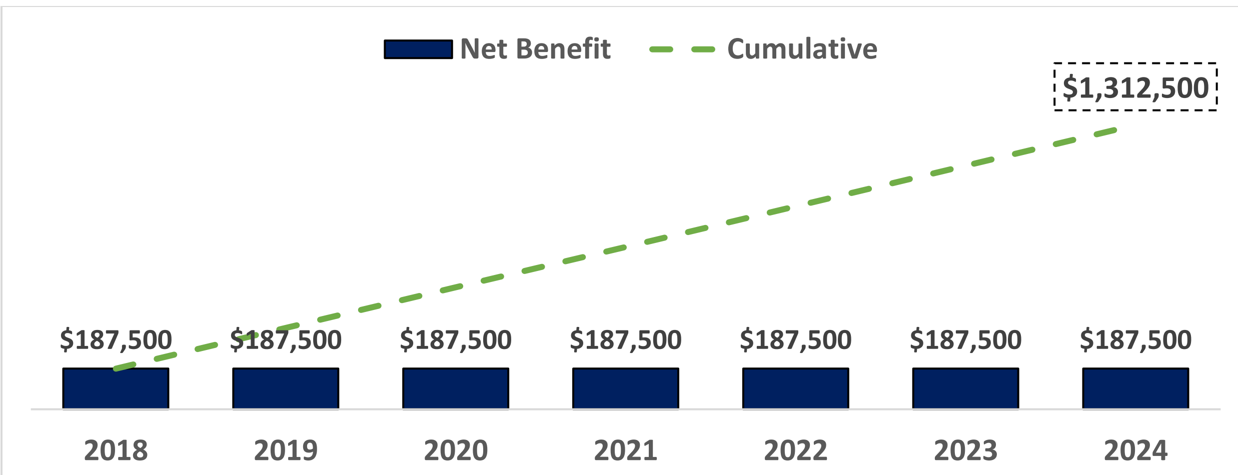
2.N. LABOR COST CONTROLS

Similar to all school corporations and most public-sector organizations, labor costs are the largest cost for GCSC. Approximately 85 - 90 percent of GCSC costs are labor-related costs including salaries, additional compensation, and employee benefits.

Included in additional compensation costs are overtime, step pay, longevity pay, and supplemental pay. Included in employee benefits costs are employee health insurance and sick leave.

Adherence to internal controls, consistent application of existing payroll policies, updates as needed to payroll policies, and diligent management oversight of budgeted labor costs will decrease overall labor costs in the additional compensation and employee benefits categories.

FISCAL IMPACT



2.N. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

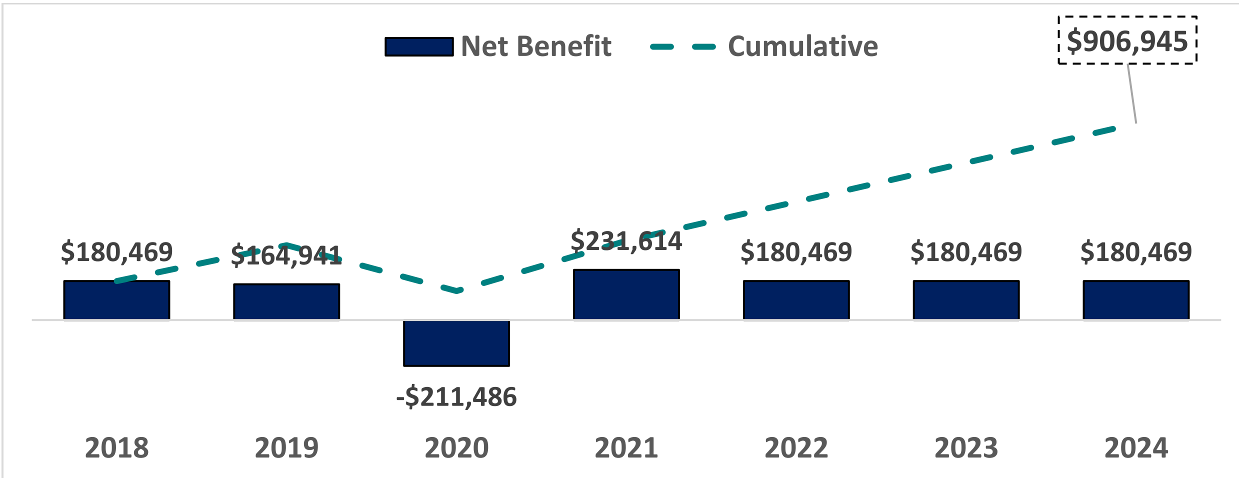
STATUS

The overall payroll costs have decreased significantly since the original VDRP (see initiative 2.T. Reduction in Force and Attribution), including costs in certain payroll supplemental categories. In the first six months of 2020, experienced a significant decrease in supplemental payroll. Supplemental payroll costs include professional development, tutoring, alternative school, summer school, and security for alternative school.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$656,250	**$275,538**	**$-380,712**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

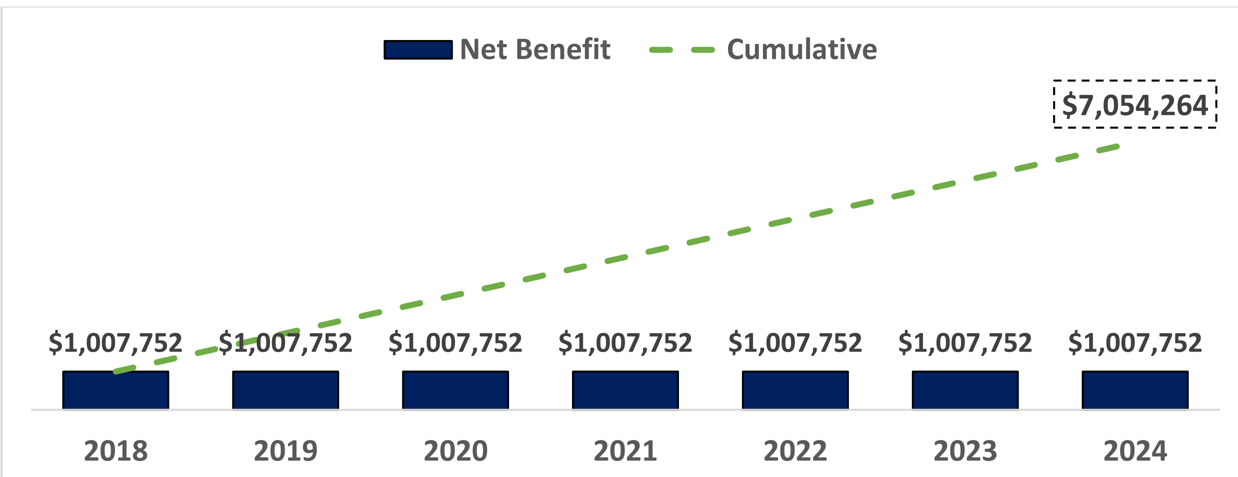


2.O. DEBT RESTRUCTURING

GCSC could generate additional operating revenue by extending the current bond and possible long-term bank loan debt by ten years. While extending the debt will increase the overall debt costs through more years of interest, GCSC could financially benefit by increasing cash flow for the ten-year period.

Local property tax revenue currently covers GCSC debt service on bonds and long-term bank loans. By extending these debts ten years, GCSC, if qualified and certified, could continue to collect local property tax at the current level. However, by extending the debt ten years, the current annual debt service obligation would be reduced. The difference between the amount collected for current debt service and the amount needed for extended debt service can be used by GCSC for other purposes.

FISCAL IMPACT



2.O. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

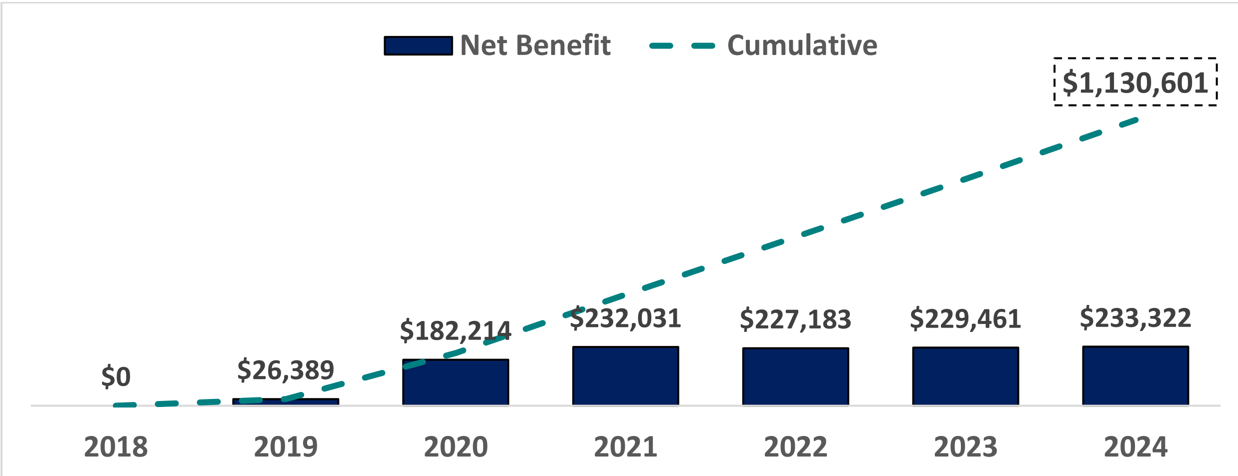
STATUS

In June 2019, GCSC refunded a series of 2009 bonds and realized net present value cost savings of $450,642 over the life of the refunding. GCSC refunded two other series of bonds eligible in 2020. These series are larger than the 2009 series and generated greater cost savings of $1.14M and $763,000. As GCSC continues to demonstrate fiscal responsibility and a trajectory toward fiscal sustainability, the market for refunding bonds should respond favorably. Future projections for this initiative were revised to reflect the savings from the three-refunding referenced above.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$3,527,132	**$324,619**	**$-3,202,513**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



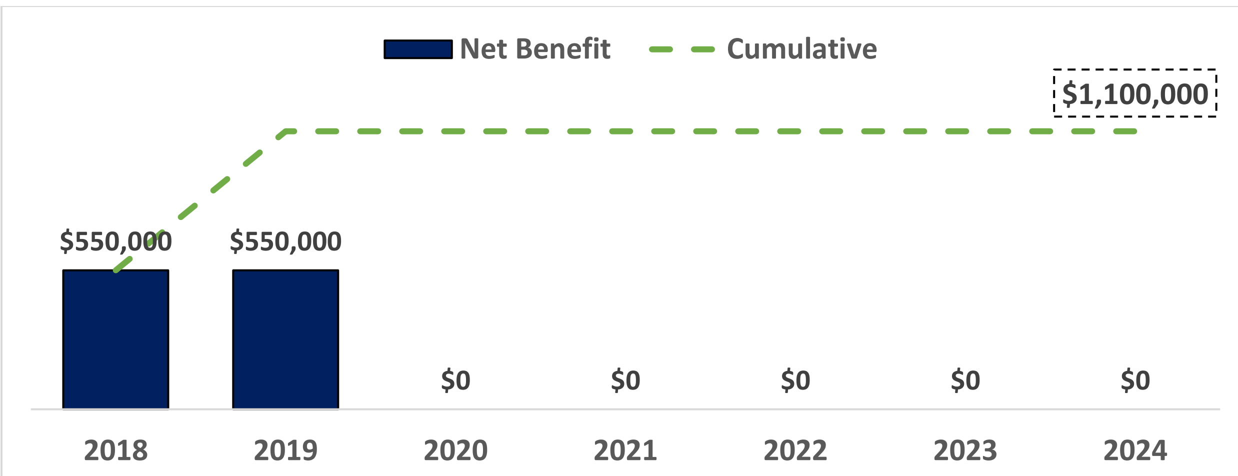
2.P. REDUCE COST OF EMPLOYEE HEALTH INSURANCE

Similar to other school corporations, and many public-sector organizations, employee benefit costs are the second largest cost category for GCSC. Employee health insurance is by far the largest costs of all employee benefits.

In late 2017, with the assistance of an outside consultant, GSR, MGT, and GCSC personnel reviewed options and bids from four employee health insurance providers. Two of the four bids were chosen for additional review and subsequent negotiation.

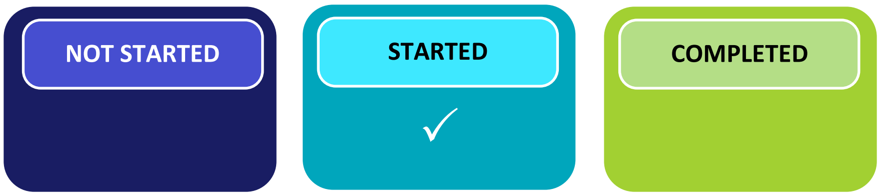
Cigna, the incumbent provider, proposed the best option for GCSC, resulting in net savings of over $1,000,000 over two years.

FISCAL IMPACT



2.P. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



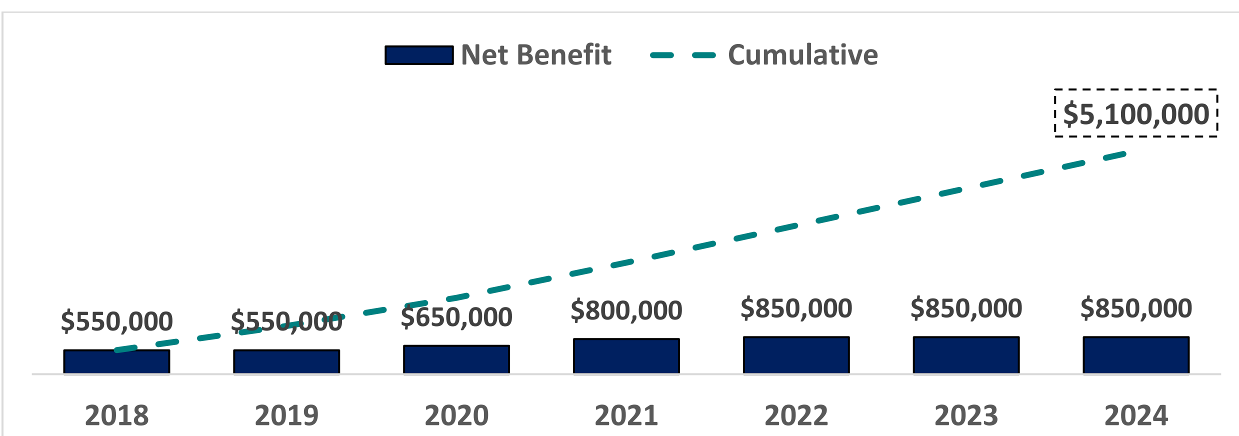
STATUS

In 2020, GCSC joined an insurance trust pool with three other districts to increase buying power, improve benefits and reduce costs. Participation in the trust generated better benefits for employees and generated substantial cost savings for GCSC.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$1,100,000	**$2,150,000**	**$1,050,000**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



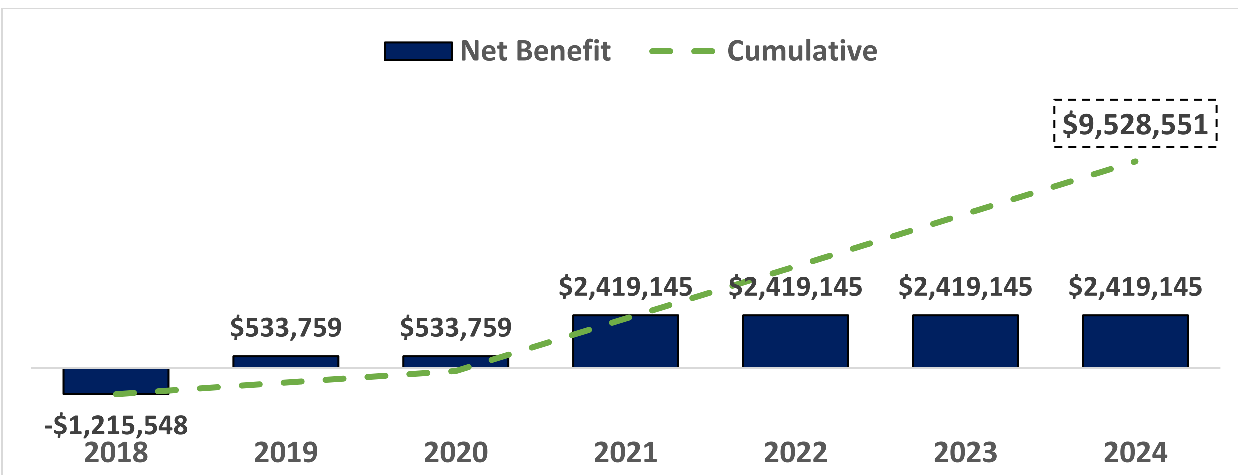
2.Q. BUILDING ENERGY EFFICIENCY AND UTILITY RATE AUDITS

After labor costs, the next largest cost category for GCSC is utility costs. Utility costs include electric, gas, water, wastewater, and sanitation costs.

This initiative includes two distinct components both related to investments and subsequent savings in operating GCSC facilities. The first initiative is an investment in energy efficient upgrades for selected GCSC facilities. Upgrades include energy efficient windows, window and door stripping, roof repair, and LED lighting. While the amount of investment required for these upgrades is significant, the return on the investments in future years is very significant. Investments in select school buildings will also improve the learning environment for GCSC students.

The second initiative is a comprehensive utility rate audit. Utility companies bill customers based on the type of customer, the type of customer usage, the time of customer usage, and other factors. A utility company's rate structure is typically complex. A utility rate audit is an engagement from a consultant specializing in reviewing an organization's current utility bills and comparing those bills to correct rates, usage, and time factors. Very often, this type of audit will generate savings in adjustments to utility bills. On occasion, refunds may be given due to overbilling by a utility company. The utility rate audit consultant typically is compensated through a percentage of cost savings identified.

FISCAL IMPACT



2.Q. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

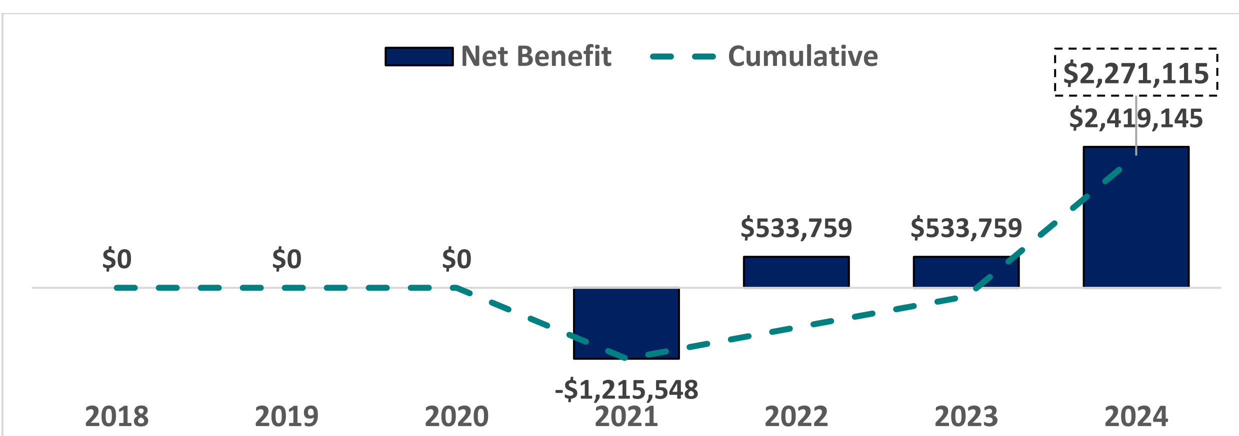
STATUS

MGT personnel will direct special projects for GCSC. One of the special projects is to initiate energy savings activities across all GCSC buildings. Personnel with direct experience in energy savings activities and can realize energy cost savings with existing personnel and resources as opposed to contracting with an external vendor. After a first phase of energy savings activities has been completed, an external vendor may be required to engage in more difficult and specialized energy savings activities. The consultant will also release the RFP for an energy rate audit in 2021.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$1,061,542	**$0**	**$1,061,542**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



2.R. COMPETE CUSTODIAN SERVICES

GCSC custodial services are currently divided roughly equally between contracted services and services provided by GCSC personnel. The contracted vendor-provided custodial services are for a higher number of buildings than the number of buildings receiving custodial services from GCSC personnel. However, the buildings receiving services from the contracted vendor are considered easier to clean than the buildings receiving services from GCSC personnel. Therefore, the level of effort between the two groups is considered roughly equal.

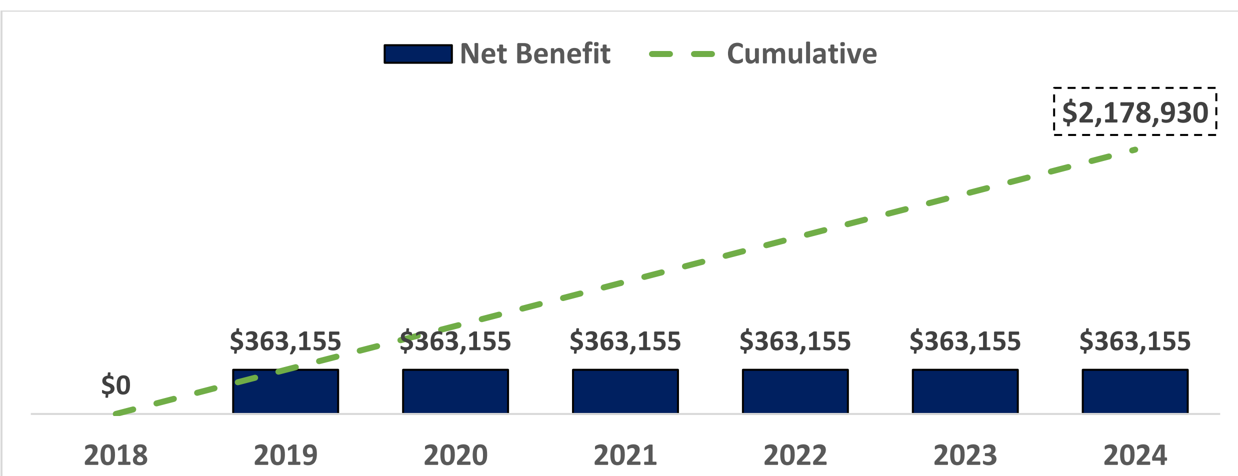
Several factors are relevant to lowering the costs of custodial services. The first factor is the number of buildings that require custodial services. School closure and/or consolidation will reduce the overall effort required and therefore the cost of custodial services.

The second factor is a comprehensive RFP process for contracted custodial services with tightly defined work requirements and measurements, negotiation, and contract terms. A well-written and negotiated RFP process can yield cost savings for GCSC.

The third factor is a comprehensive analysis of the staffing level and custodial services provided by GCSC personnel. Well-defined task requirements and performance measurements, scheduling, and adherence to budgeted costs could yield additional cost savings.

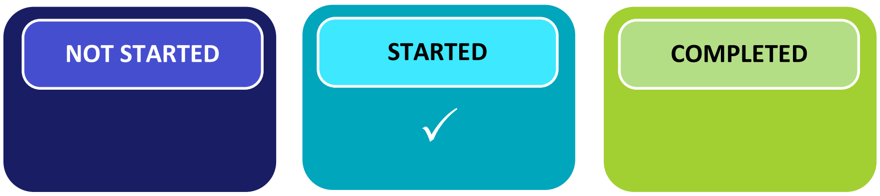
Dividing the custodial services between a contracted vendor and GCSC personnel may have intangible benefits through ongoing competition between the two groups. In addition to defining the custodial services needed, the buildings served and the associated performance measurements, a cost-benefit analysis will determine if all contracted services, or all GCSC-provided services, or a division of services is the best option for GCSC.

FISCAL IMPACT



2.R. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



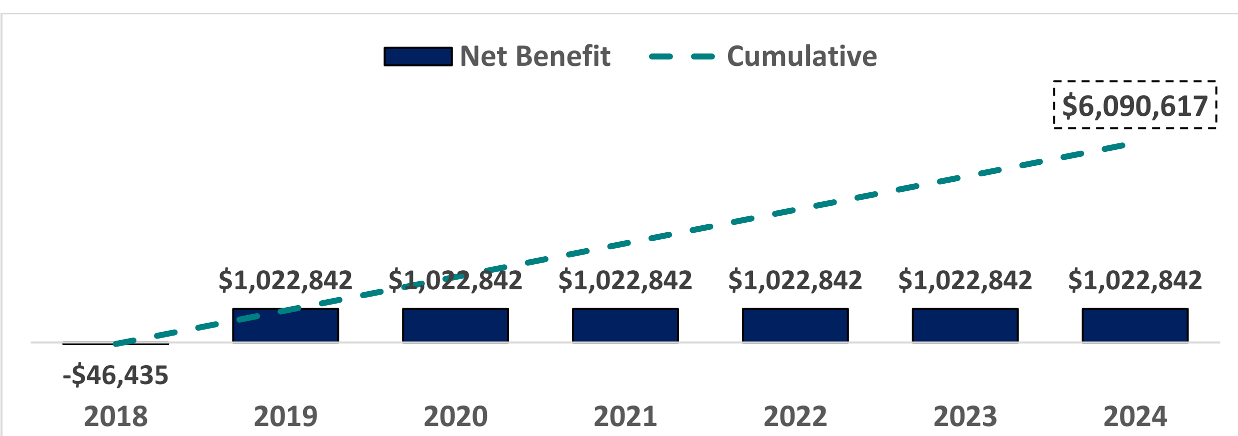
STATUS

Based on a comprehensive review of proposals from several custodial service providers and an analysis of the GCSC incurred costs for custodial services, the decision was made to transition all custodial services to an external vendor. The transition to the external vendor took place July 1, 2018. After the transition to the custodial service provider, contractual payouts were made to former GCSC custodians. These payouts offset the initial partial-year savings from the contractual agreement. Without this offset going forward cost savings were generated as previously projected in 2019, 2020, 2021, and beyond.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$907,887	**$2,510,130**	**$1,602,243**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



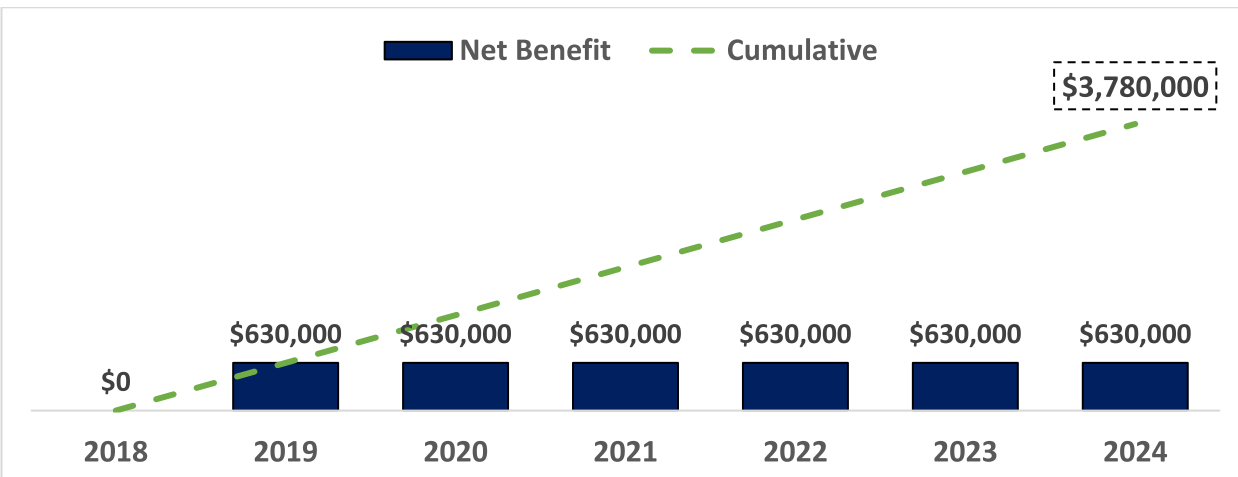
2.S. COMPETE TRANSPORTATION CONTRACT

Almost all GCSC transportation services are provided by a contracted vendor. After labor costs and utility costs, the next largest operating cost for GCSC is the transportation contract.

Two primary factors are relevant to lowering the costs of transportation services. The first factor is the number of schools in service and the scheduled routes associated with each school. School closure and/or consolidation will reduce the number of scheduled routes and therefore the cost of transportation services.

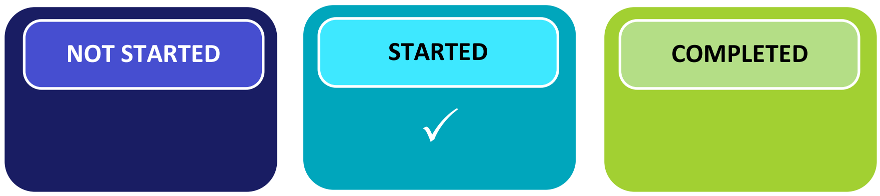
The second factor is a comprehensive RFP process with the tightly defined route and schedule requirements, performance measurements, negotiation, and contract terms. A well-written and negotiated RFP process will yield cost savings for GCSC.

FISCAL IMPACT



2.S. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



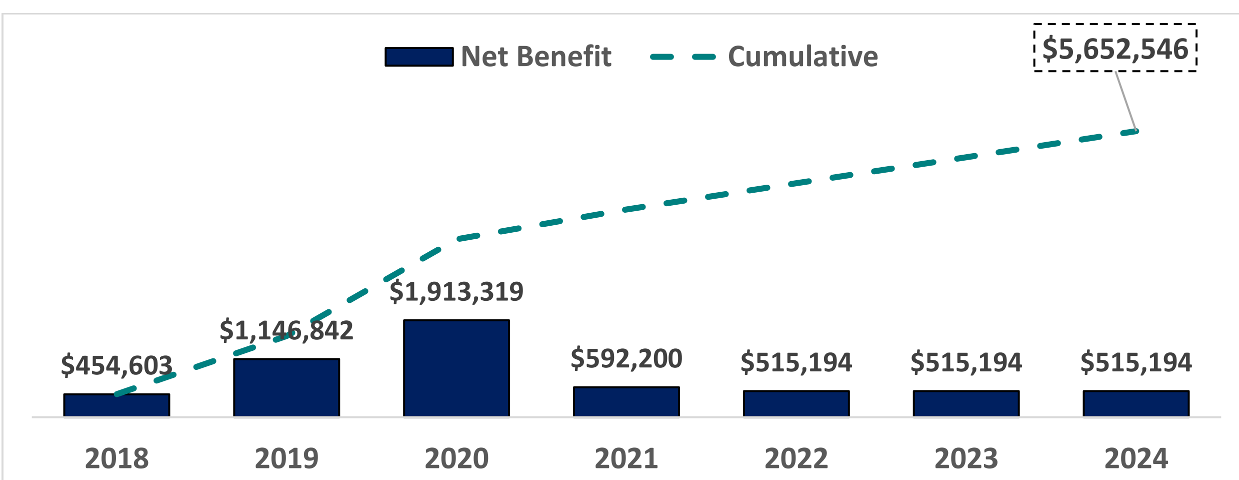
STATUS

Based on a comprehensive review of proposals from several transportation service providers, the decision was made to enter into an agreement with Illinois Central School Bus for transportation services for the 2018-19 and 2019-20 school years. In 2021, the costs of transportation services continue to decrease. Savings in total transportation costs from 2019 to 2020 were over $1.9 million. Additionally, savings for 2021 are estimated to be approximately $592K.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$1,575,000	**$4,149,367**	**$2,574,367**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



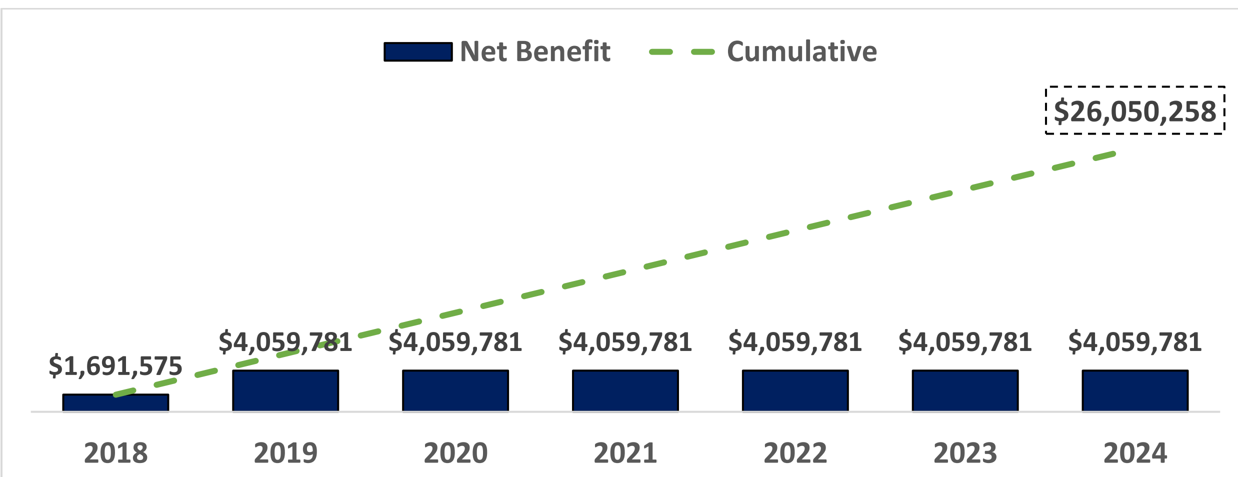
2.T. REDUCTION IN FORCE AND ATTRITION

Similar to all school corporations and most public-sector organizations, labor costs are the largest cost for GCSC. Approximately 85 - 90 percent of GCSC costs are labor-related costs including salaries, additional compensation, and employee benefits.

The ratio of the number of students to the number of teachers is a common metric for school corporations to benchmark and compare with other school corporations. A student-to-teacher ratio higher or lower than the national average does not correlate to higher or lower academic effectiveness or performance. The student-to-teacher ratio, however, is a starting point for financial and operational comparability and establishing internal benchmarks and standards.

The national average student-to-teacher ratio is no less than 15:1. The current GCSC student-to-teacher ratio is approximately 12.7:1. Raising the ratio to the national average will result in a reduction in force or unfilled retirements and resignations of approximately 60 positions. While many factors are considered when determining the optimal number of personnel within a school corporation, the student-to-teacher ratio is a very important and sound metric for staffing efficiency.

FISCAL IMPACT



2.T. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

A comprehensive review of all GCSC instruction and operations and the number of associated positions in the 2017-18 school year was completed as of July 2018. Based on this review a reduction in force through terminations and retirements occurred going into the 2018-19 school year.

For the 2021-22 school year, GCSC Instructional positions were better aligned with enrollment and class offerings and operational positions were better aligned with enterprise size, efficiencies, and productivity. Review of the number and type of positions will continue throughout the 2021-22 school year and beyond.

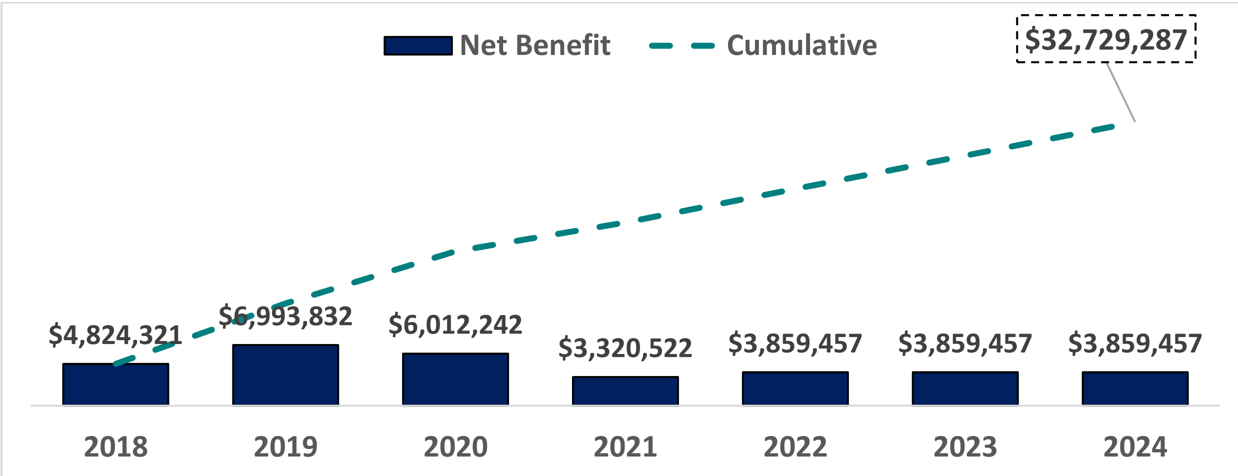
Projected savings in the VDRP, VDRPU1, VDRPU2, VDRPU3, VDRPU4, VDRPU5, VDRPU6, and VDRPU7 were based mostly on reduction in salary costs. In addition to salary savings there is savings from associated benefits and payroll taxes.

The future projections for this initiative were calculated using 2017 as the base year and savings in Reduction in Force do not include savings from Initiative 2R – Compete Custodian Contract.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$11,841,027	**$19,221,187**	**$7,380,160**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



2.U. SCHOOL CLOSURE / CONSOLIDATION

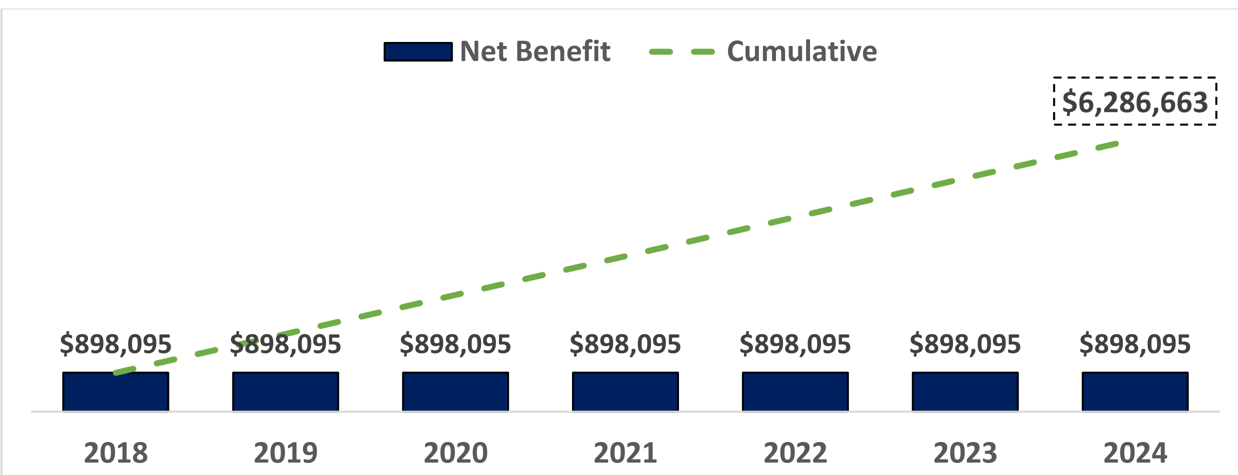
There are currently three high schools within the GCSC boundary. Two of these high schools, Westside and Wirt Emerson, are operated by GCSC. The third high school, Roosevelt, is operated by EdisonLearning Inc.

Student capacity at these three high schools far exceeds current and recent years' actual enrollment. Additionally, student enrollment far exceeds future years projected enrollment. In total, these three high schools have student capacity for over 6,000 students with an enrollment of fewer than 2,000 students.

School	Capacity	Enrollment
Roosevelt High School	1,821	595
Westside High School	3,415	755
Wirt Emerson High School	1,087	526
Total of Three High Schools	**6,323**	**1,876**

Closing one high school and transferring students, teaching staff, and programs will generate significant cost savings in reduced administration, utilities, custodial, security, transportation, and other operations.

FISCAL IMPACT



2.U. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

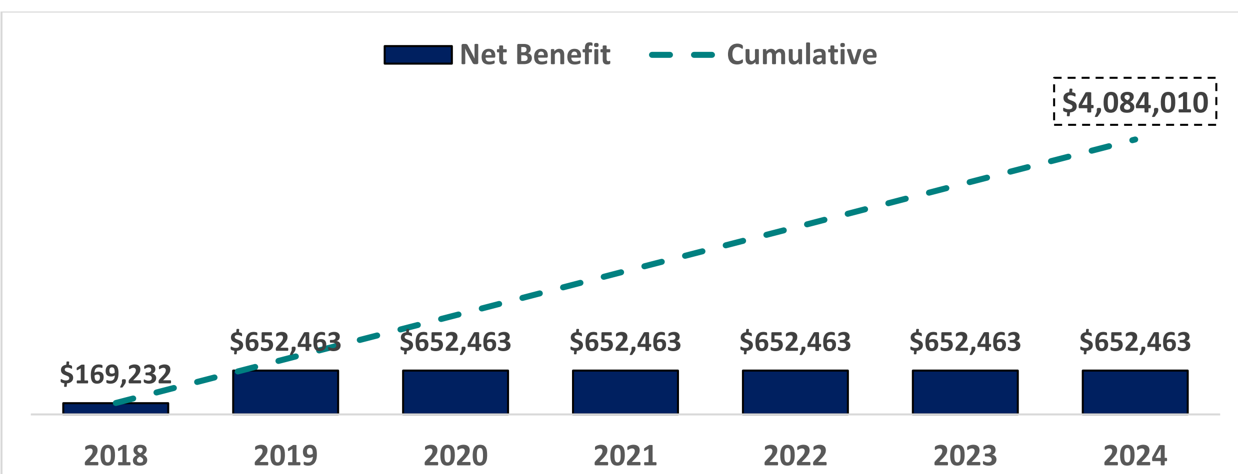
STATUS

Wirt Emerson High School was closed at the end of the 2017-18 school year. Effective for the 2018-19 school year, students, faculty, administrators, and viable programs have transferred to Westside Leadership Academy. Projected cost reductions have changed from the original estimates to recognize (1) a partial year of savings in 2018 and (2) a larger than projected decrease in students transferring to West Side Leadership Academy. The future projections for this initiative were calculated using 2017 as the base year and were revised to reflect additional cost savings of approximately $300,000 from the closing of the Roosevelt building.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$3,143,332	**$1,800,390**	**$-1,342,943**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



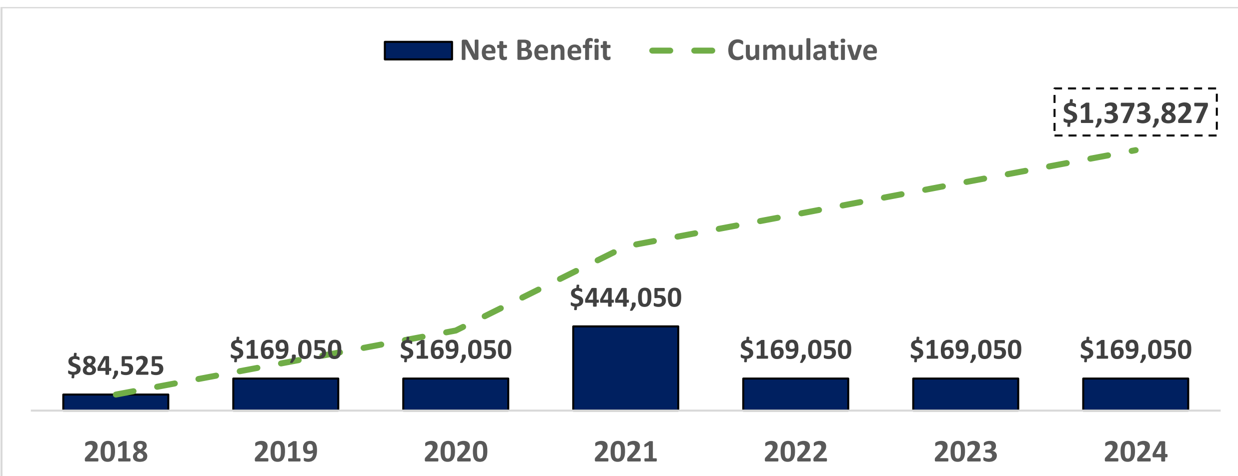
2.V. RELOCATE ADMINISTRATION OFFICE

GCSC administrative and business office personnel, such as Finance, Human Resources, and Information Technology, are located in the former Lincoln Elementary School. No instructional employees or activities are housed in this former school.

Several current elementary schools with GCSC have the capacity for administrative offices and associated personnel. One of these schools could be configured to separate the administrative offices, administrative personnel, and visitors from the students and the learning environment.

Co-locating the administration office and associated personnel into an occupied elementary school building will generate cost savings in reduced custodial, maintenance, and utility costs from a sole building never designed for administration offices and personnel.

FISCAL IMPACT



2.V. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED | STARTED ✓ | COMPLETED

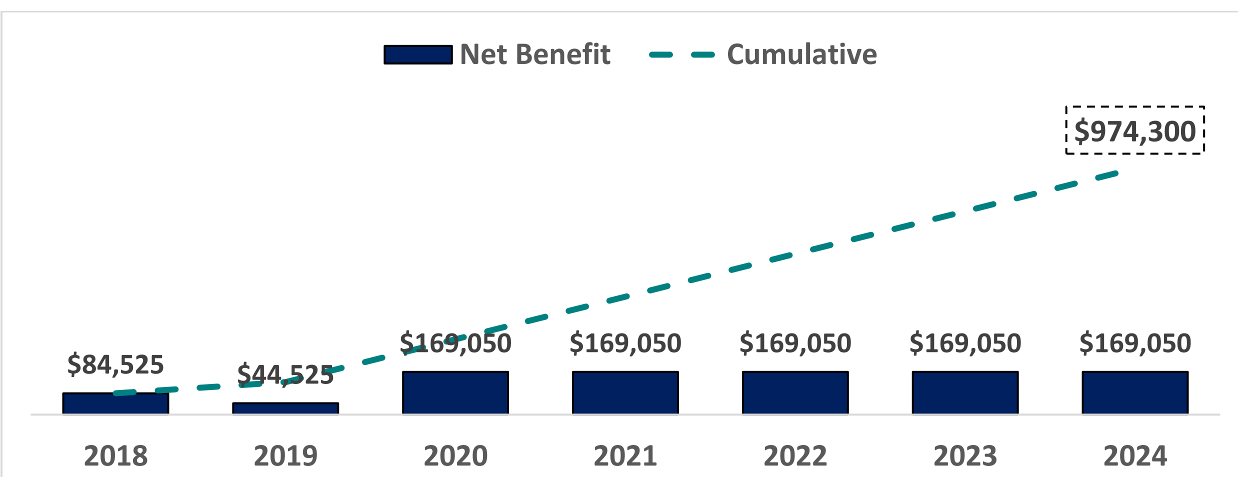
STATUS

GCSC administrative personnel and operations were relocated from the former Lincoln Elementary School to unoccupied space at West Side Leadership Academy (WSLA) in the spring and summer of 2019, respectively. The future projections for this initiative were calculated using 2017 as the base year.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$644,650	**$298,100**	**$-346,550**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



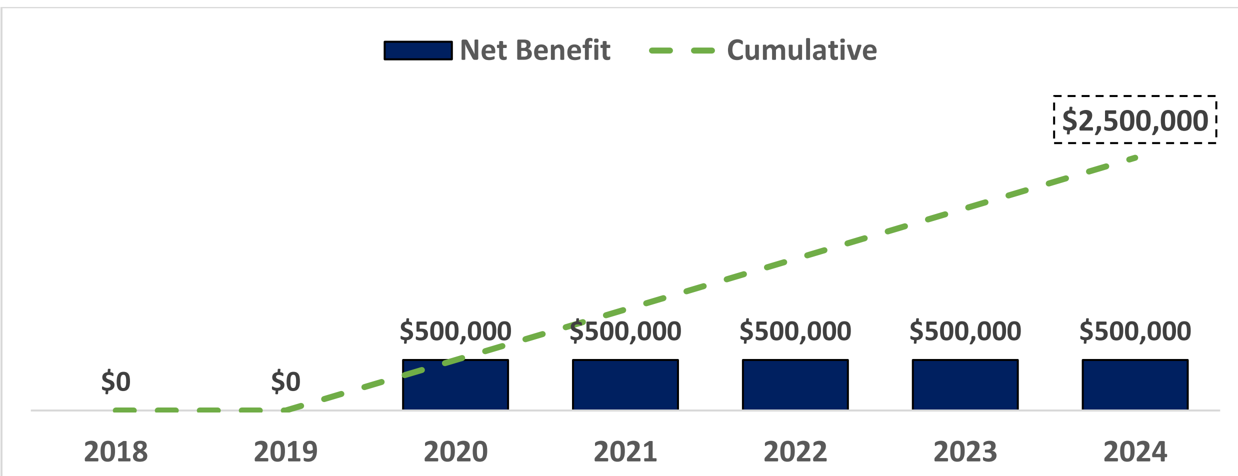
2.W. NEGOTIATE REDUCTION OF LEGACY ACCOUNTS PAYABLE

In addition to over $8,400,000 in claims asserted by the IRS, there are over $6,000,000 in reported legacy accounts payable to numerous vendors and suppliers. This amount is substantially the accumulation of years of non-payment for materials, supplies, and services provided to GCSC.

Negotiating with vendors and suppliers to reduce the approximately $6,000,000 accumulated accounts payable amount could generate material one-time cost savings to GCSC. To regain positive business relationships with vendors and suppliers and to not jeopardize the outcome of negotiations to reduce the legacy accounts payable amount, the financial net benefit to GCSC is not included in this plan.

Included in this plan, however, is cost savings generated in future years by adherence to internal controls for purchasing and procurement, proactively negotiating terms and conditions for materials, supplies, and services not applicable to purchases through a purchasing cooperative, utilizing payment discounts when applicable, and maintaining positive business relationships with vendors and suppliers through on-time accounts payable payments.

FISCAL IMPACT



2.W. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

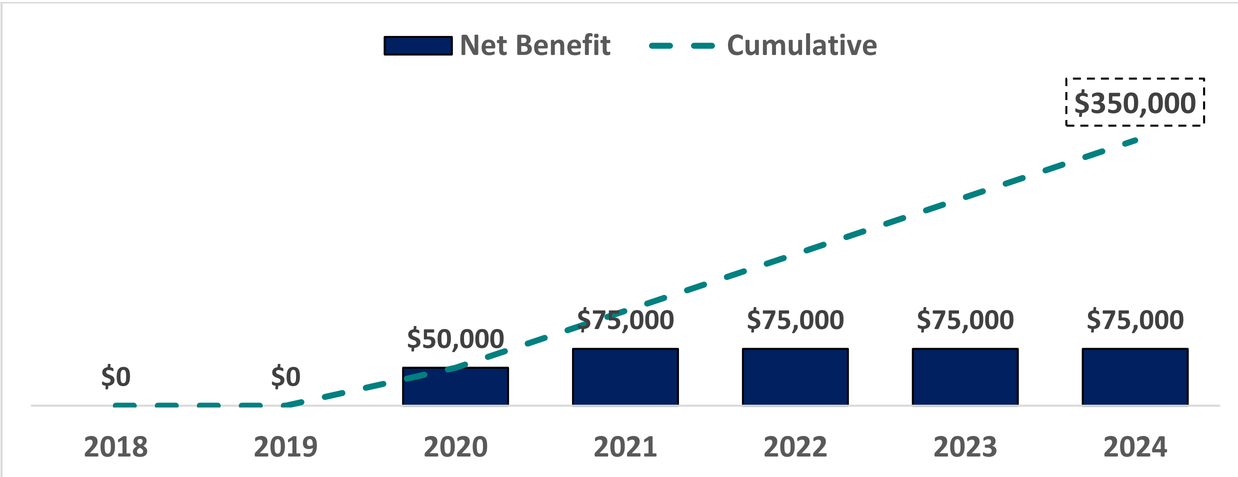
STATUS

GCSC short-term accounts payable has decreased from over $16,000,000 in August 2017 to approximately $500,000 as of June 30, 2021. The typical monthly accounts payable cycle is between $500,000 and $750,000. Remaining current with vendors and establishing good credit history over the next two years will allow GCSC to seek the most fiscally advantageous pricing and terms in the future. Estimated cost savings in future years are still applicable. The future projections for this initiative were calculated using 2017 as the base year.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$750,000	**$0**	**$-750,000**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



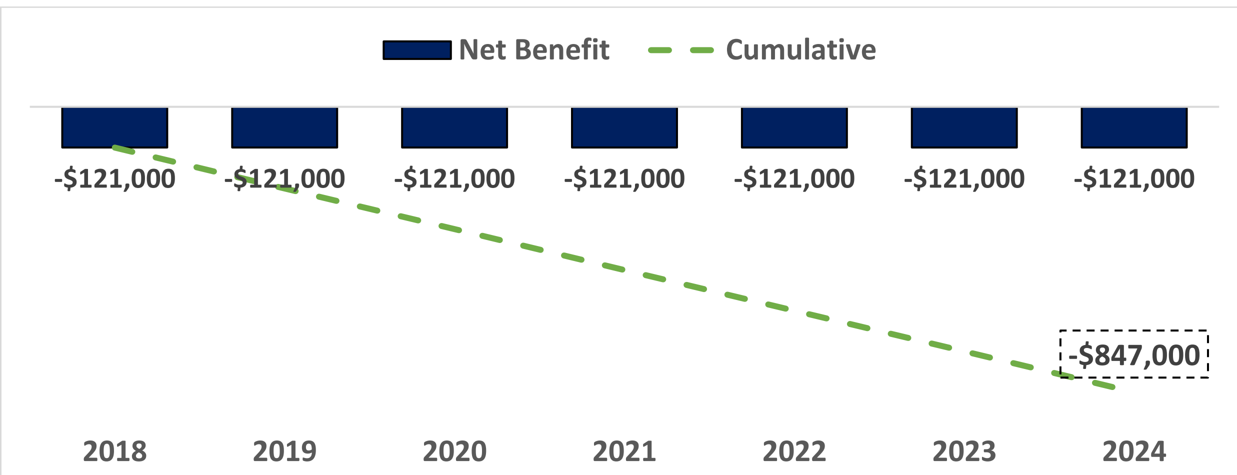
2.X. MARKETING AND COMMUNITY COMMUNICATION

One of the major initiatives proposed in this VDRP is to increase student enrollment. This initiative, as well as several other initiatives, are dependent on communicating the turnaround progress of GCSC to parents, students, and the greater Gary community. Every success throughout GCSC, at the school-level, class-level or even student-level, must be communicated so parents, students and residents understand GCSC is on an upward trajectory.

Communication takes places in numerous ways including community outreach and engagement which is detailed in a separate report submitted to DUAB on December 31, 2017. In addition to community outreach and engagement, GCSC should communicate the positive actions occurring in a variety of ways. Communication methods include traditional options such as flyers and newsletters as well as technology-based options such as social media and electronic messaging.

While technology-based communication options can lower the overall unit costs of each communication message, there are costs to maintain a social media presence and create content. These costs are investments that will help push the narrative of progress and improvement which, in turn, will yield increased enrollment and associated revenue for GCSC.

FISCAL IMPACT



2.X. UPDATE #7 AS OF JUNE 30, 2021

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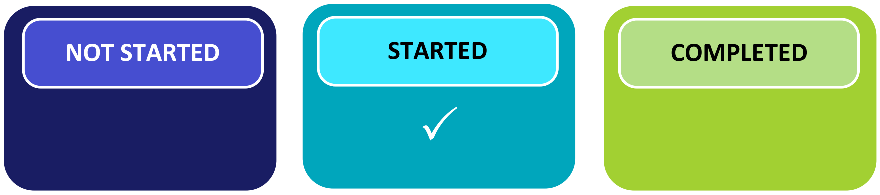


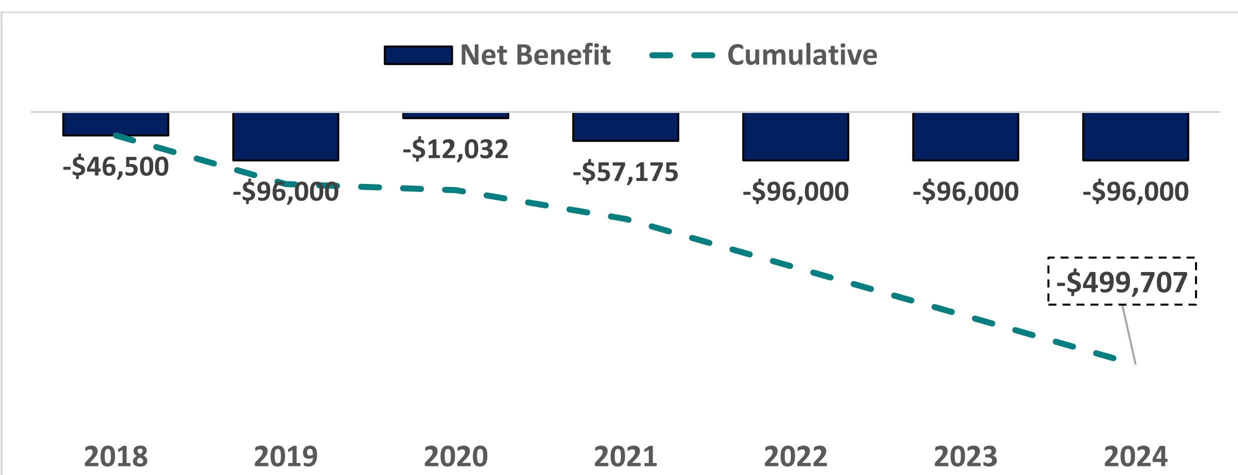
STATUS

In addition to general community communication and outreach, GCSC initiated an ongoing enrollment and awareness communication campaign for the 2018-19 school year and beyond. Both general communication and specific enrollment communication includes multiple mediums and methods such as social media, print, billboards, and direct mail for delivering messages throughout the Gary and Lake County communities.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$-423,500	**$-164,247**	**$259,253**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



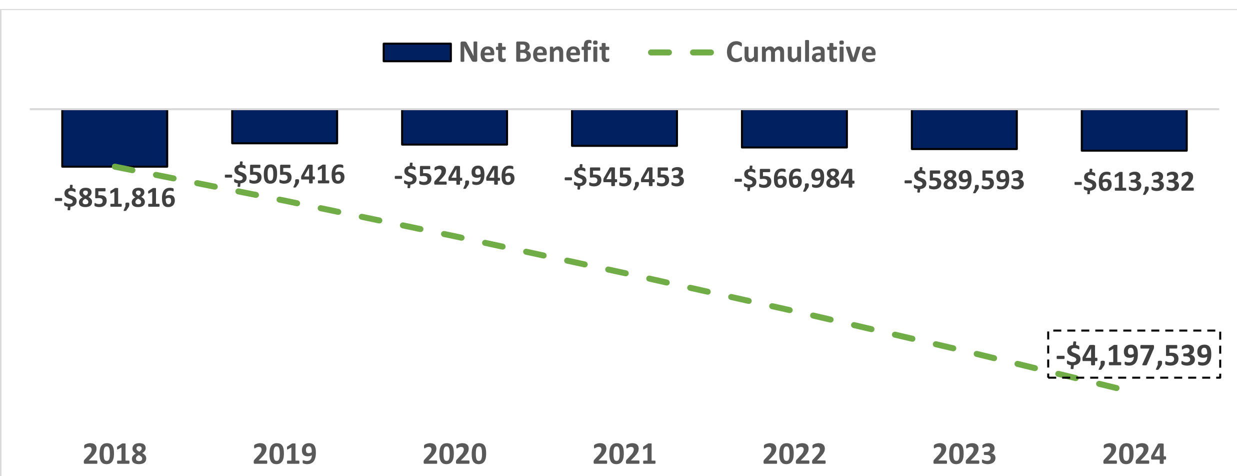
2.Y. INVEST IN HARDWARE, SOFTWARE, AND SHARED SERVICES

The GCSC technology hardware infrastructure is antiquated, long past life expectancy, and patched together to maintain only absolute minimum daily operations. The GCSC accounting, payroll, human resources, and student records software are several versions behind current and are not linked or integrated. The combination of very old hardware and dated, essentially stand-alone software creates financial inefficiencies as well as lost productivity throughout GCSC. These systems and processes are documented in the *Review, Evaluation and Recommendations of Process and Systems Report* submitted to DUAB on December 31, 2017.

While an investment in hardware, software, and shared services (cloud-based software as a service) does not generate revenue and increases rather than decreases costs, the investment is necessary to improve efficiency and productivity and implement many of the recommendations in the *Review, Evaluation and Recommendations of Process and Systems Report*. Conversely, if investments are not made in hardware and software for GCSC, systems and equipment will end in failure creating a work environment unable to retain productive personnel or produce and process even the most minimal necessary information.

The estimated costs for hardware, software and shared services are placeholder estimates based on a very cursory hardware, software specification, and system implementation plan. The estimated costs are conservative, meaning they represent the upper end of potential costs. Actual investment costs may be less than estimated.

FISCAL IMPACT



2.Y. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

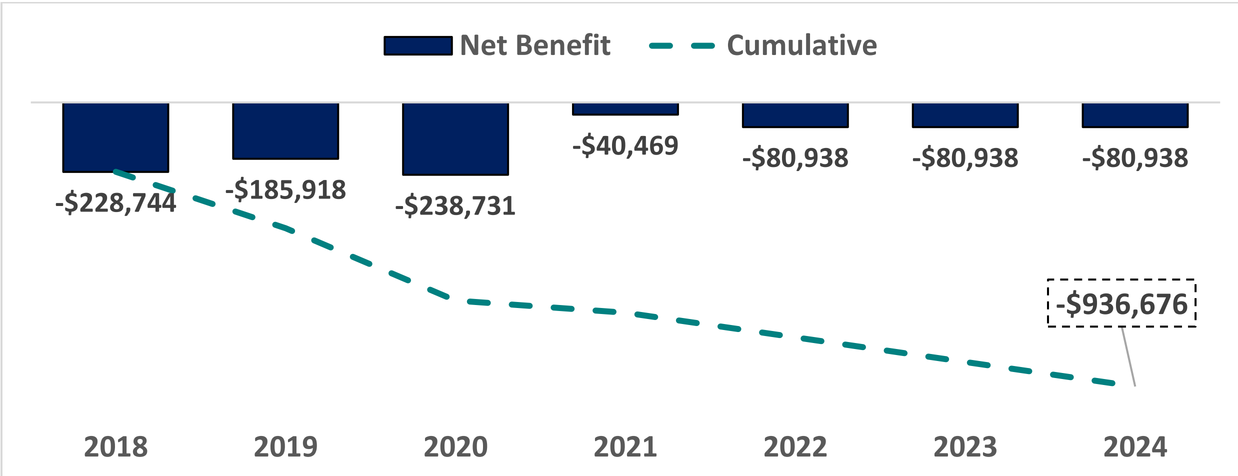
Full implementation of the Lowe accounting system occurred in 2020. The costs for Lowe included a one-time initial purchase and additional charges for as needed services such as extra processing or reporting.

Additionally, Gary Community School Corporation partnered with Steele Benefits to take on a "go green" initiative for the open enrollment of benefits to be 100% online with no paper enrollments. This initiative was financed by our current benefit providers and was no cost to GCSC but provided a streamlined enrollment which was invaluable to the District. In 2021 and beyond, GCSC will continue to pursue technological improvements that lead to increase efficiency and effectiveness.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$-1,609,452	**$-653,393**	**$956,058**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



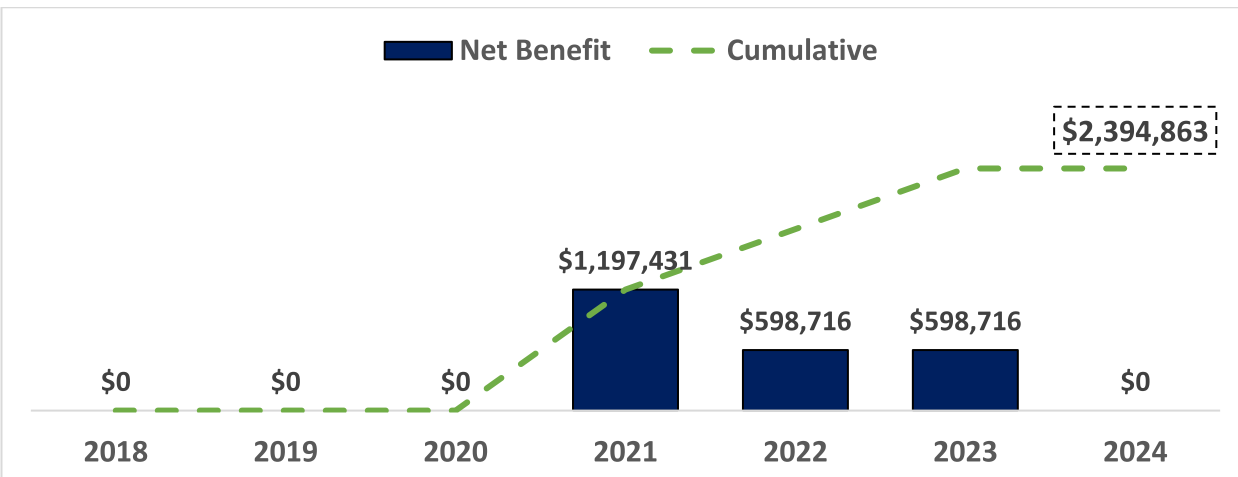
2.Z. SELL ASSETS – BUILDINGS AND LAND

Currently, GCSC owns 28 vacated buildings and the associated land. These buildings and associated land presumably have market value. Due to the conditions of the vacated buildings, a reasonable assumption is the land associated with the vacated buildings has more market value than the vacated buildings.

No valid appraisal or market analysis has been completed for the vacated buildings or the associated land.

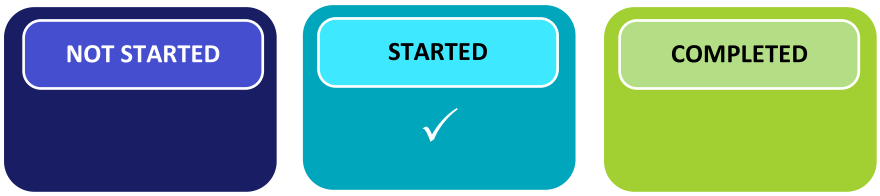
Due to the claims asserted by the IRS of over $8,400,000 from GCSC, the IRS has placed liens on all GCSC buildings and land. Any of these assets with market value cannot be liquidated to generate revenue until the IRS situation is resolved. Once the IRS situation is resolved, liquidating buildings and land could generate one-time revenue for debt relief.

FISCAL IMPACT



2.Z. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



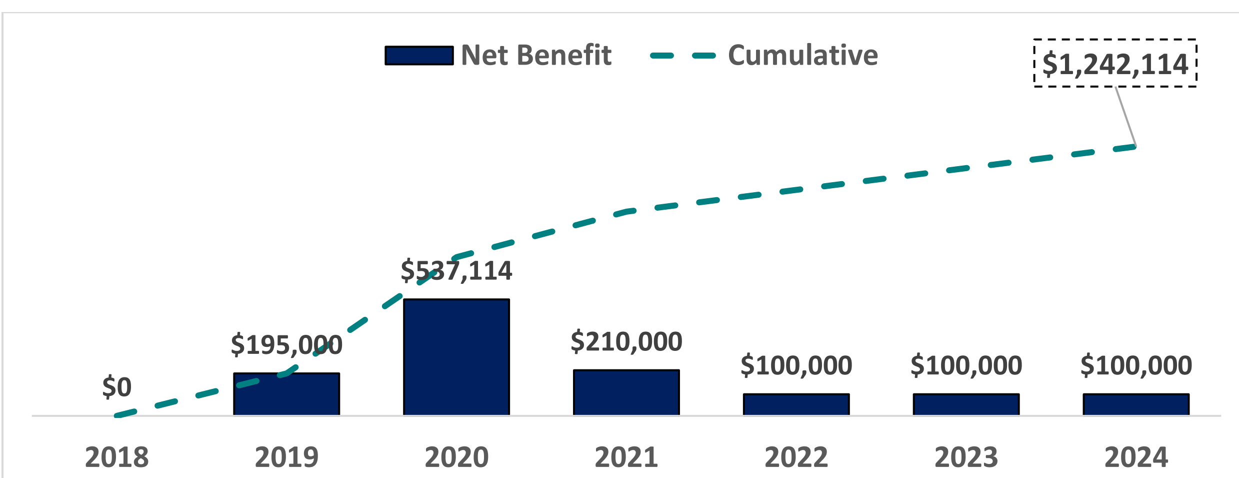
STATUS

Due to the resolution of the GCSC IRS obligation in the Spring 2018, liens on GCSC property and assets have been released. In 2020, several buildings and undeveloped parcels of land were sold to local buyers. In total 20 properties have been sold since August 2017. All other vacant properties remain for sale.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #7 08/31/21**	**VARIANCE**
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$598,716	**$892,114**	**$293,398**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



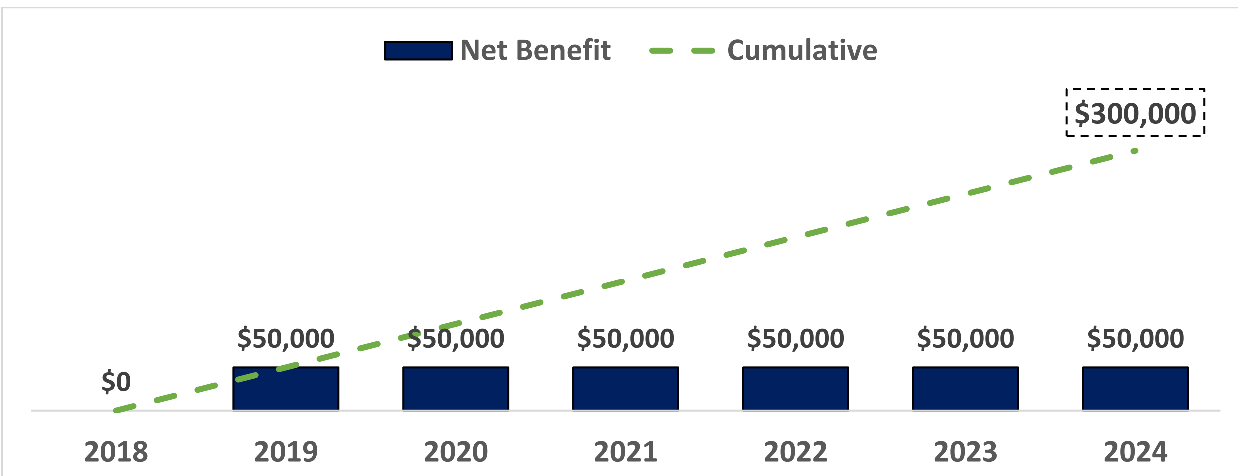
2.AA. CORPORATE PARTNERS

It is not uncommon for major corporations within a community to form partnerships with the local school corporation. Many different opportunities exist for a partnership between corporations in and around Gary and GCSC.

Examples of opportunities that exist for a corporate partnership include sponsorships of a specific activity or athletic programs or teams, establishing an endowment for instructional applications, outright financial contributions, or sharing or loaning corporate personnel for tutoring, coaching, or other support roles.

Partnering with corporations or other entities in or around Gary could generate either direct, net financial benefit or offset current costs within the GCSC general fund. There is no limit to the possibilities or applications of corporate partnerships.

FISCAL IMPACT



2.AA. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

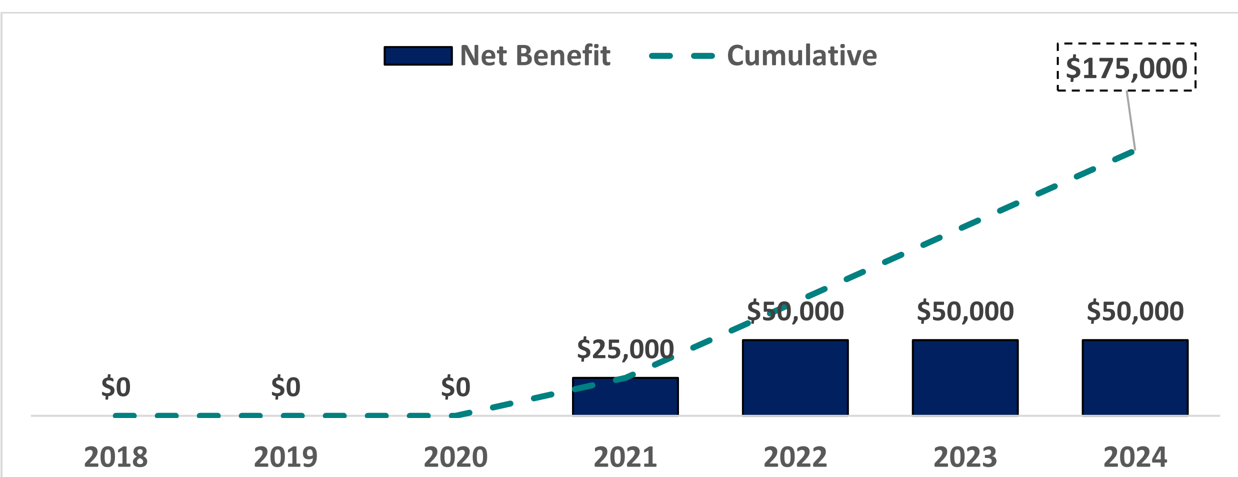
STATUS

As GCSC demonstrates progress towards fiscal sustainability and community awareness of overall progress across GCSC operations and academics is increased, corporate sponsorships will be solicited. In 2021, specific partnerships programs or activities will be identified for presentation and solicitation. The future projections for this initiative were calculated using 2017 as the base year.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #7 08/31/21	VARIANCE
Projected Financial Impact as of June 30, 2021	Actual Financial Impact as of June 30, 2021	
$125,000	**$0**	**$-125,000**

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



2.AB. INTERNAL BUDGET CONTROL

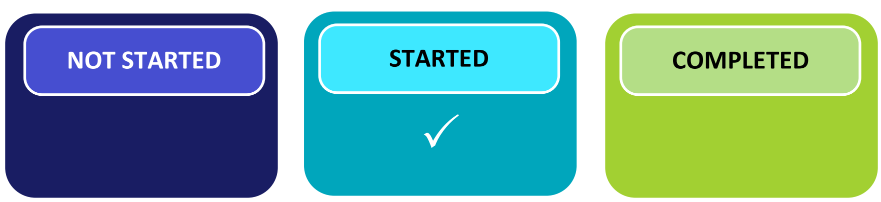
GCSC will have an internal budget in 2018. The budget is not only a fiscal projection of 2018 revenue and expenditures, it is a control document to monitor and increase adherence to projected revenue and expenditures. While there is no actual revenue increase or cost decrease from implementing an internal budget, the control mechanisms within the process of tracking budget to actual revenue and, especially, expenses will contain costs and identify fiscal inefficiencies and priority improvements.

FISCAL IMPACT

Not applicable.

2.AB. UPDATE #6 AS OF DECEMBER 31, 2020

STATUS BAR



STATUS

An internal budget document that provides a budget vs. actual comparison was created and is in place for 2021. This budget is a step in the school accountability framework within the System of Great Schools.

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

Not applicable.

3.0 FUTURE INITIATIVES

3.A. FOUNDATION AND PHILANTHROPIC INVOLVEMENT

Investment or in-kind support from charitable foundations and philanthropic organizations is a future initiative to generate a net financial benefit for GCSC. Charitable foundations and philanthropic organizations can invest financial and human resources into educational organizations, especially highly impacted educational organizations.

At this time, the turnaround process for GCSC is still in an early stage, and while demonstrated progress has been made, it is not yet strategically prudent to approach charitable foundations and philanthropic organizations for support.

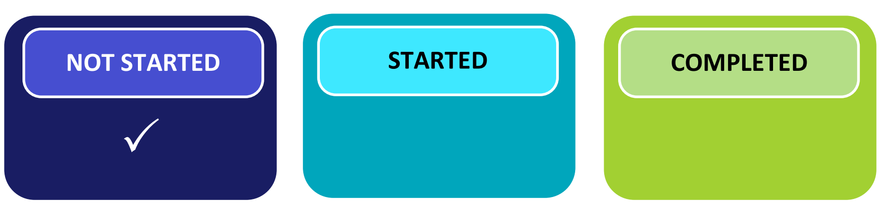
As GCSC demonstrates substantial progress in the turnaround process and is on a clear and sustainable upward academic, fiscal, and operational trajectory, various charitable foundations and philanthropic organizations may grant, loan, or invest fiscal or human resources, generating one-time and/or ongoing financial support for GCSC.

FISCAL IMPACT

Not applicable.

3.A. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



STATUS

Foundation and philanthropic involvement will be addressed in 2022.

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

Not applicable.

3.B. OUTSIDE CAPITAL INVESTMENTS

GCSC has not had the financial resources to spend on capital outlay for many years. The combination of property tax caps (i.e., "circuit breakers"), relatively low property tax collection rates, high debt service obligations, and raiding capital funds for operating needs has left GCSC with a significant capital expenditure backlog for repairs, maintenance and replacement. The very limited capital expenditures that have occurred over the past several years have only happened at asset failure, which is a greater cost than an ideal repair and replacement cycle and with disruption to learning.

As GCSC demonstrates substantial progress in the turnaround process and is on a clear and sustainable upward academic, fiscal and operational trajectory, capital investment(s) from outside entities could be solicited. Securing capital investment(s) from outside entities could improve facilities, extend the operating life of assets, improve the learning environment, and free up general fund revenue for operating expenditures.

FISCAL IMPACT

Not applicable.

3.B. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

STATUS

Outside capital investments will be addressed in 2022.

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

Not applicable.

3.C. REQUEST GRANTS OR INTEREST-FREE LOANS IF NEEDED

This VDRP documents multiple initiatives and potential pathways that will lead to fiscal solvency for GCSC. However, fiscal solvency will not occur instantly, or even by the end of the calendar year 2018.

The years of fiscal mistakes, errors, miscalculations, and bad decisions at GCSC cannot be reversed in a matter of months. In time, GCSC will realize fiscal solvency and will begin to pay down accumulated long-term debt. In the short term, however, financial support will be required from the state of Indiana to provide the necessary time for the VDRP to take effect.

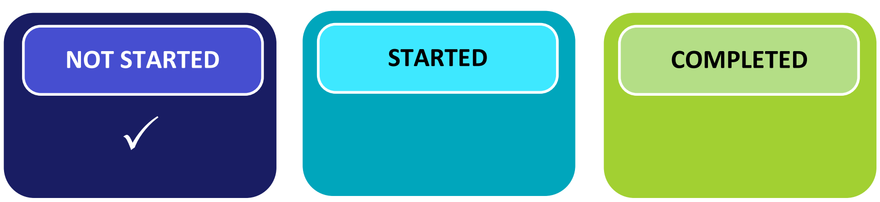
One form of support to GCSC from the state of Indiana is to provide grants to assist with operating costs until the annual deficit is eliminated. Another form of support to GCSC from the state of Indiana is to provide interest-free loans to assist with operating costs until the annual deficit is eliminated.

FISCAL IMPACT

Not applicable.

3.C. UPDATE #7 AS OF JUNE 30, 2021

STATUS BAR



STATUS

Requests for grants or loans will be addressed in 2022 as necessary.

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

Not applicable.

4.0 RECONFIGURE GCSC

GSR was requested to prepare financial models for the following three distinct scenarios.

1. Reconfigure GCSC as a K-8 only corporation.
2. Reconfigure GCSC as a K-6 only corporation.
3. Reconfigure GCSC with a smaller geographic boundary.

These scenarios do not imply or infer any decisions have been made by any group or individuals. This information has only been requested for analysis and consideration.

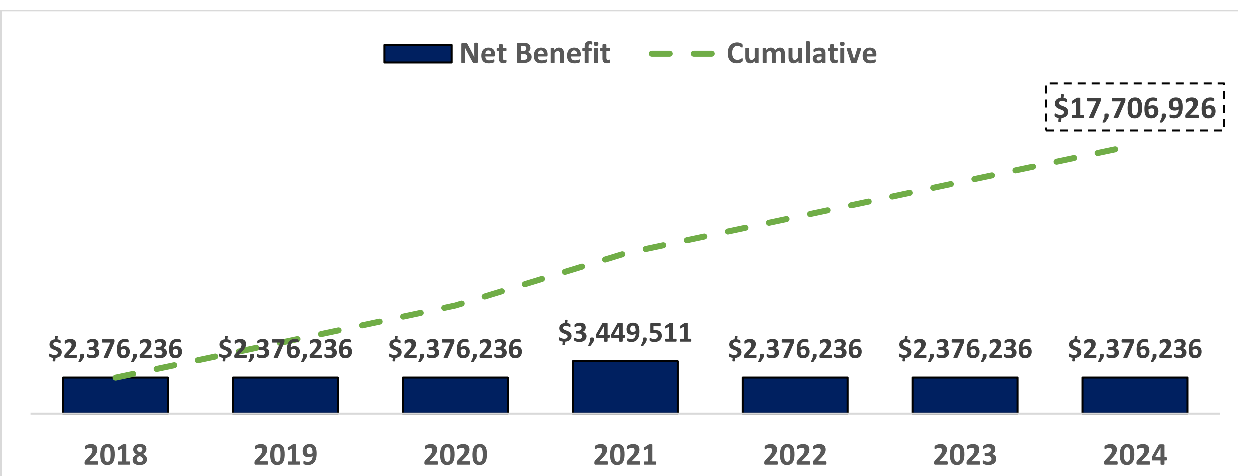
4.A. GCSC AS A K-8 ONLY

GSR prepared a financial model recasting GCSC as a K-8 only district. The fiscal impact calculation below represents recasting the district as K-8 without applying any of the initiatives identified in Sections 2.0 and 3.0.

Several of the initiatives in Sections 2.0 and 3.0 would contradict reconfiguring GCSC as a K-8 only district. All initiatives identified in Sections 2.0 and 3.0 would require review, analysis, and recalculation if a decision is made to configure GCSC as a K-8 only corporation.

Cost savings are calculated by reductions in labor, utilities, custodial, maintenance, transportation, and other operating costs by closing Westside and Wirt Emerson High Schools.

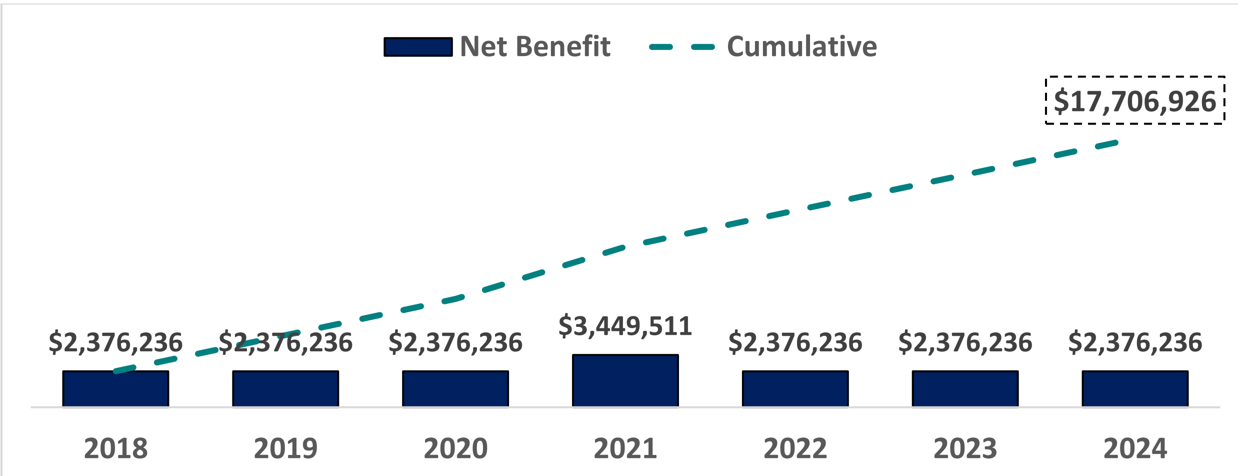
FISCAL IMPACT



4.A. UPDATE #7 AS OF JUNE 30, 2021

If requested, updated calculations to GCSC as a K-8 only district will be included in the VDRPUP #8 scheduled for January 31, 2022.

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



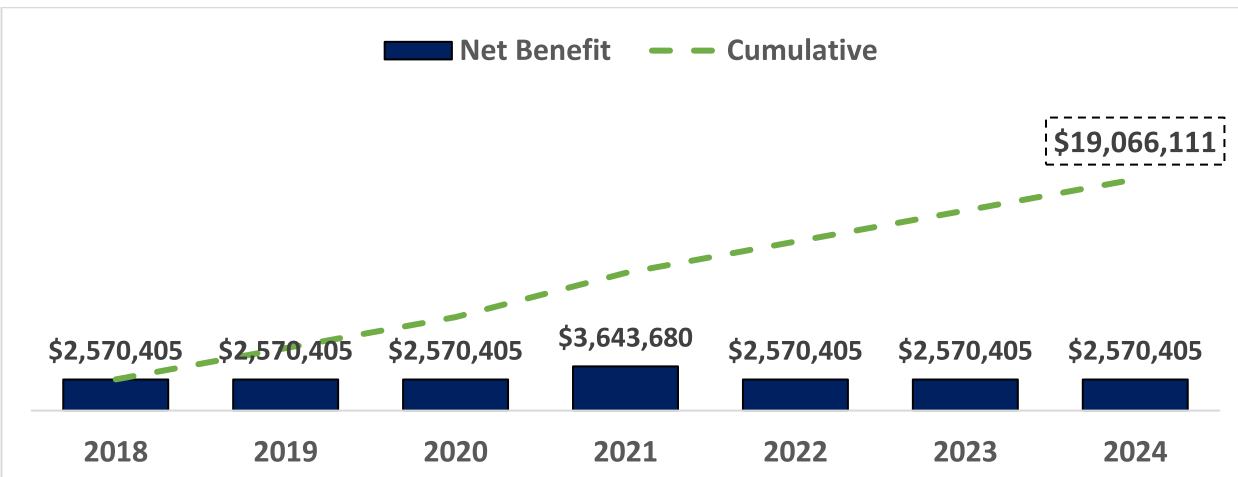
4.B. GCSC AS A K-6 ONLY

GSR prepared a financial model recasting GCSC as a K-6 only district. The fiscal impact calculation below represents reconfiguring the GCSC as K-6 only without applying any of the initiatives identified in Sections 2.0 and 3.0.

Several of the initiatives in Sections 2.0 and 3.0 would contradict reconfiguring GCSC as a K-6 only district. All initiatives identified in Sections 2.0 and 3.0 would require review, analysis, and recalculation if a decision is made to configure GCSC as a K-6 only corporation.

Cost savings are calculated by reductions in labor, utilities, custodial, maintenance, transportation, and other operating costs by closing Westside and Wirt Emerson High Schools and eliminating sixth and seventh grades at Bailey, Banneker, and McCullough schools.

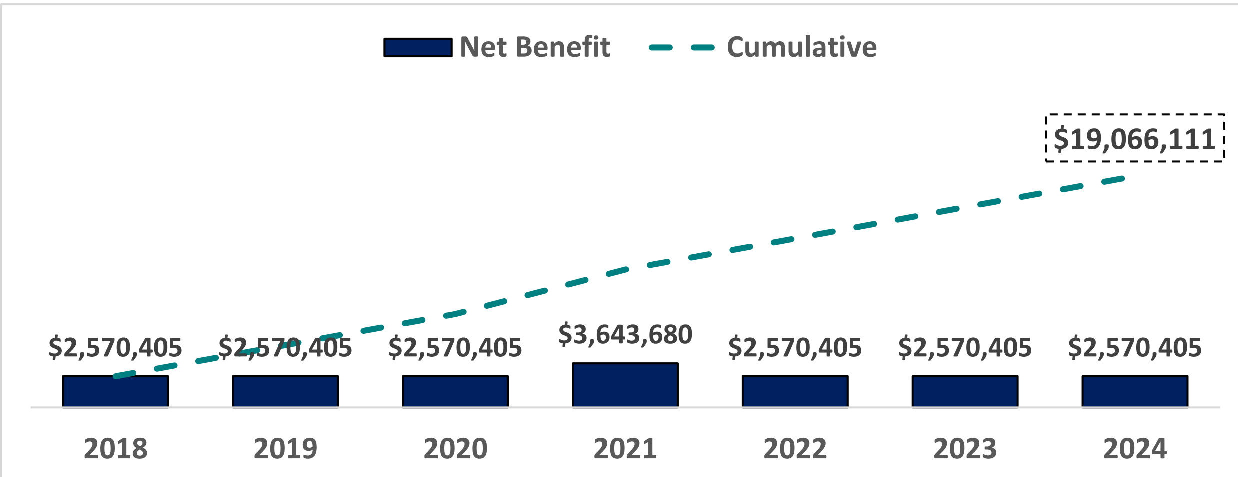
FISCAL IMPACT



4.B. UPDATE #7 AS OF JUNE 30, 2021

If requested, updated calculations to GCSC as a K-6 only district will be included in VDRPUP #8 scheduled for January 31, 2022.

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021



4.C. GCSC RE-BOUNDARY

Without specific boundary changes requested, until the following initiatives from Section 2.0 are implemented or resolved, it is not feasible to accurately model GCSC with a smaller geographic boundary.

- 2.H. System of Great Schools
- 2.Q. Building Energy Efficiency and Utility Rate Audits
- 2.U. School Closure / Consolidation
- 2.V. Relocate Administration Office

FISCAL IMPACT

Not applicable.

4.C. UPDATE #7 AS OF JUNE 30, 2021

If requested, calculated cost saving from a GCSC re-boundary will be included in VDRPUP #8 scheduled for January 31, 2022.

FISCAL IMPACT UPDATE #7 AS OF JUNE 30, 2021

Not applicable.

5.0 POTENTIAL DEFICIT REDUCTION BY INITIATIVE AND YEAR

5.A. VDRP UPDATE #7 AS OF JUN 30, 2021

The following table displays the projected financial impact by initiative and year based on the June 2021 update.

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.A.	Suspend Common School Loan Payments	$0	$0	$2,728,850	$5,457,700	$5,457,700	$5,457,700	$5,457,700
2.B.	Maximize Federal Funds	$220,000	$255,888	$518,665	$533,706	$550,785	$573,902	$602,892
2.C.	Maximize Medicaid Funds	$0	$52,637	$45,995	$106,865	$79,356	$81,776	$84,802
2.D.	Pay For Success	$0	$0	$0	$0	$5,000,000	$5,000,000	$5,000,000
2.E.	Local Referendum	$0	$0	$0	$4,500,000	$8,900,000	$8,900,000	$8,900,000
2.F.	Increase Enrollment	$0	($1,830,400)	$48,000	$1,752,000	$1,839,600	$1,931,580	$2,028,159
2.G.	Co-location and Co-branding GACC and Ivy Tech	$6,120	$104,760	$131,200	$48,000	$48,000	$48,000	$48,000
2.H.	System of Great Schools	$0	$0	$0	$78,919	$157,838	$157,838	$157,838
2.I.	Acquire / Implement On-line Program	$12,600	$25,200	$0	$0	$0	$0	$0
2.J.	Community Crowdfunding	$9,055	$29,092	$65	$25,000	$50,000	$50,000	$50,000

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.K.	Rent Building Space	$36,000	$22,876	$0	$0	$0	$0	$0
2.L.	Joint Purchasing Cooperative	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
2.M.	Food Service Fund Accounting	$399,367	$399,367	$660,399	$819,686	$819,686	$819,686	$819,686
2.N.	Labor Cost Controls	$180,469	$164,941	($211,486)	$231,614	$180,469	$180,469	$180,469
2.O.	Debt Restructuring	$0	$26,389	$182,214	$232,031	$227,183	$229,461	$233,322
2.P.	Reduce Cost of Employee Health Insurance	$550,000	$550,000	$650,000	$800,000	$850,000	$850,000	$850,000
2.Q.	Building Energy Efficiency and Utility Rate Audits	$0	$0	$0	($1,215,548)	$533,759	$533,759	$2,419,145
2.R.	Compete Custodian Services	($46,435)	$1,022,842	$1,022,842	$1,022,842	$1,022,842	$1,022,842	$1,022,842
2.S.	Compete Transportation Contract	$454,603	$1,146,842	$1,913,319	$592,200	$515,194	$515,194	$515,194
2.T.	Reduction in Force and Attrition	$4,824,321	$6,993,832	$6,012,242	$3,320,522	$3,859,457	$3,859,457	$3,859,457
2.U.	School Closure / Consolidation	$169,232	$652,463	$652,463	$652,463	$652,463	$652,463	$652,463
2.V.	Relocate Administration Office	$84,525	$44,525	$169,050	$169,050	$169,050	$169,050	$169,050
2.W.	Negotiate Reduction of Legacy Accounts Payable	$0	$0	$50,000	$75,000	$75,000	$75,000	$75,000

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.X.	Marketing and Community Communication	($46,500)	($96,000)	($12,032)	($57,175)	($96,000)	($96,000)	($96,000)
2.Y.	Invest in Hardware, Software and Shared Services	($228,744)	($185,918)	($238,731)	($40,469)	($80,938)	($80,938)	($80,938)
2.Z.	Sell Assets – Art, Buildings and Land	$0	$195,000	$537,114	$210,000	$100,000	$100,000	$100,000
2.AA.	Corporate Partners	$0	$0	$0	$25,000	$50,000	$50,000	$50,000
2.AB.	Internal Budget Control	$0	$0	$0	$0	$0	$0	$0
3.A.	Foundation and Philanthropic Involvement	$0	$0	$0	$0	$0	$0	$0
3.B.	Outside Capital Investments	$0	$0	$0	$0	$0	$0	$0
3.C.	Request Grants or Interest-Free Loans If Needed	$0	$0	$0	$0	$0	$0	$0
	Grand Total	**$6,664,613**	**$9,614,336**	**$14,900,168**	**$19,379,407**	**$31,001,445**	**$31,121,239**	**$33,139,082**